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THE IMPACT OF FOREIGN, INSTITUTIONAL AND MANAGERIAL OWNERSHIP ON INTELLECTUAL CAPITAL AND FIRM VALUE: THE MEDIATING ROLE OF FINANCIAL PERFORMANCE.

Dr. Zulfiqar Ali Anjum[*1], Dr. Bilal Durrani[2], Muhammad Nazir Shah[3], Sikandar Rehman[4], Fazal Amin[5],

[*1]*Assistant Professor, Department of Management Sciences, Qurtuba University of Science and Information Technology*
[2]*Assistant Professor, Department of Management Sciences, Amir Muhammad Khan Campus, University of Agriculture Peshawar*
[3]*Associate Professor, GCMS Jallozai Nowshera*
[4]*Assistant Professor, GCMSII, Ring Road Peshawar*
[5]*Ph. D Scholar, Department of Management Sciences, Qurtuba University of Science and Information Technology*

[*1]zulfeqarali4@gmail.com, [2]bilaldurrani79@gmail.com, [3]nazirhafiz12@gmail.com, [4]sikandar.rehman535@gmail.com, [5]fazalamink098@gmail.com

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Corresponding Author: *
Dr. Zulfiqar Ali Anjum

Abstract

This study has explored the impact of foreign, institutional, and managerial ownership on intellectual capital and firm value and investigated the mediating role of financial performance among firms listed on the Pakistan Stock Exchange during the period from 2016 to 2025. The study adopts explanatory research design and secondary panel data. The explanatory variables are foreign, institutional and managerial ownership, and the measure of financial performance is a composite measure of ROE, ROA, and ROI; the measure used is the VAIC of the firm value. Descriptive statistics, Pearson correlation, diagnostics of multicollinearity, regression analysis and bootstrap-based mediation analysis are used. The outcomes discover that foreign, institutional and managerial ownership are statistically insignificant in the case of the intellectual capital, firm value, and financial performance of firms. There is also no statistical significance correlation between financial performance and either intellectual capital or firm value. The outcomes indicate that, in the sample of the participating firms, the difference in intellectual capital, financial performance and firm value cannot be explained by ownership structure alone and that other factors related to the firms, governance, institutions and markets may play a role.

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INTRODUCTION

Background

The remarkable growth of science and technological advancement has an impact on companies' performance. Companies will perform better when they can revolutionize in science and technology. Moreover, they can enhance the competitiveness of their businesses as well. Initially, companies focused on boosting production or physical assets and with the globalization of businesses, they will have to alteration their strategy of transitioning from labor-intensive to knowledge-intensive businesses. With the advent of knowledge-based businesses and the use of knowledge management, traditional ways of understanding and assessing the activities and performance of organizations have been changed (Saleh et al., 2009).

Application of science and technological advancement will bring the path to the efficient and economical utilization of other resources, which will further be integrated to give a competitive edge. But when the company's balance sheet is reduced or even eliminated the fixed assets, the market appreciation of them does not decrease.

Ownership structure can be one such area that shows intellectual capital performance. That is because business ownership will foster the business's business manager's conflict. This conflict arises because the manager decides on whether to generate more worth for the corporation or increase his own benefits. The managers are more likely to be engaged in worth generation activities in managerial ownership, which can lead to sustainable market superiority for the corporations (Saleh et al, 2009). The ownership structure that is studied in this research is foreign, institutional and managerial ownership.

Foreign ownership is one of the important measures that has impact on firms' performance and growth. Foreign ownership refers to ownership or control of a firm by foreign individuals or entities. Foreign ownership can have significant consequences for owners and managers. Generally, foreign ownership brings new technology, investment and managerial expertise to firms which can help firms to boost their performance, productivity, value and shareholders wealth (Lindemanis et al., 2022). In addition, foreign ownership can result in the transfer of innovative skills, knowledge and experience to local employees, thus helping to develop human resources in the host country. Similarly, foreign investors may have greater demands for transparency, accountability, and rights of shareholders, thus affecting the conduct of managers and facilitating corporate transparency (Han et al., 2022). Foreign investors may have expertise that could aid local companies to grow their business or operations. They may also have access to innovative markets and distribution networks, which can aid in the firm's growth (Sobhan, 2022). Foreign investors provide managers with an incentive to peruse higher growth and long-term value for the sake of owners by monitoring the actions of managers (Choi & Park, 2019). Preceding reports discovered a positive relation between foreign ownership and company operation and value, with others finding no statistical relationship. But not many studies noted that foreign ownership is negatively connected with the company's performance and value. Although several prior research have emphasized on examining the influence of foreign ownership on firm performance and firm value (Alquist et al., 2019; Din et al., 2021; Phung & Mishra, 2016 among others) but few research have studied the no link of foreign ownership and firm growth (such as Choi & Park, 2019; Nguyen et al., 2019; Pham et al., 2020).

Considering these assumptions, foreign investors will be more inclined to adopt and pursue policies which enhance their long-term incentives, especially effective use and management of IC policies may eventually enhance the efficiency of the firms.

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Institutional Ownership (IO) relates to the ownership of the corporation by institutions like investment companies, insurance companies etc., which is expected to result in better and optimal supervision, as suggested by Nuraina (2012) and hence agency costs can be reduced. Study on the effect of IO on the worth of the firm has been carried out several times. Pakaryaningsih (2008) observed a significant association between IO and the worth of corporations registered on the Indonesian Stock Exchange. But there was also no significant effect of IO on company value. Wiranata and Nugrahanti (2013) decide that the performance of the company is not affected by institutional ownership, thus many institutional owners are involved in corporate control, even at the cost of sacrificing minority ownership.

Managerial Ownership (MO) is a type of share that's held by the executive directors, managers or other parties in company decision making (Jensen & Meckling, 1976).

The consequences of the study accomplished by Ifada et al. (2021) indicated that MO has a positive influence on firm value, implying that MO positively influences the worth of the corporation by placing their interests with those of the stockholders, hence improving firm value. Based on the previous study, Wulandari et al. (2022), it is found that managerial ownership positively affects firm value and that profitability is a partial mediator between MO and FV. The influence of MO on firm value is significant and increased with the addition of profitability as a moderator (Sari & Rahma, 2022).

The remarkable growth of global business expects corporations to constantly modify improvements ensuing in the outside situation. Every company in the process of running its business has long-term managerial goals, vision and a mission to achieve the corporation goals as described by Martono and Harjito (2005:2). The purpose of a business can be broken down into three parts: maximizing profits, adding to the owner's or shareholders' wealth and adding to the value of the business. Corporate value is the condition achieved after the company underwent a process of activity for several years (from the moment of company establishment until now) as a public trust image of the company.

Other factors influencing company Value include effectiveness and profitability which is the capacity to make profits within a period from asset or capital, overall capital and own capital (Sulastri et al., 2018). Firms that have high efficiency and profitability show excellent company output prospects to increase firm value. Several preceding studies have addressed the mediating effect of profitability, and there is little literature that investigates the intervening role of profitability in the link between institutional and managerial ownership structures and firms' performance. According to some earlier studies, profitability was cited as a mediating variable which could impact firm value. Osazuwa and Che-

However, Ahmad (2016) revealed that profitability plays a positive intervening role between the association between eco-efficiency and firm value. Likewise, Purbawangsa and Suprasto (2019) found that profitability has a moderate effect between business risk, corporate social responsibility, good corporate governance and firm value. But the results of previous studies have been mixed when it comes to the link between IO, MO and FV. In addition, the intervening role of profitability in these relationships has been relatively under-researched. This study gap offers a chance to conduct additional studies on how profitability relates with institutional and managerial ownership structures and firm value.

Looking at the previous literature, a trend is observed that financial performance has been mostly measured using ROA and ROE as a measure of the impact of ownership structure on the firm. These indicators are a good measure of asset use and returns for shareholders but may not measure the efficiency of the investment choice by firms. The limitation of this study is addressed by adding an extra measure of financial

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performance, Return on Investment (ROI). This research gives a broader investigation of monetary performance, not only through the lens of ROA and ROE, but also with ROI, allowing for better understanding of monetary performance in the link between ownership structure, intellectual capital and firm value. Consequently, the combined and mediated impact of FO, IO and MO on Intellectual Capital and firm value based on financial performance in the context of emerging economies like Pakistan is found to be a gap in research.

This study has added to the previous literature by introducing foreign, institutional, and managerial ownership along with the intellectual capital and firm value; and firm financial performance as a mediating variable. It outlines in detail the impact that various ownership structures have on intellectual capital and firm value, based on the knowledge-intensive business and financial implications, especially in the context of emerging markets, such as Pakistan.

The indirect effect will be explored in this research to find out whether FO, MO and IO are able to mediate the IC and FV through profitability at one place.

However, the relationship of foreign, institutional, managerial ownership and intellectual capital and firm value along with financial performance as a mediating variable has not yet been examined in the context of Pakistan. To the best of authors' knowledge, for the first time this study provides evidence from companies listed on the Pakistan Stock Exchange.

In view of the above discussion, the objective of the existing study is to find experiential evidence on the effect of FO, MO and IO on intellectual capital and firm value in the field of companies listed on Pakistan Stock Exchange (PSX) during 2016-2025 via direct and indirect effects.

Problem Statement

In the contemporary market environment of corporate businesses, value of the firm not only depends on the physical and financial resources but also on foreign, institutional and managerial ownership, knowledge resources and financial performance. Despite this change, the association between different types of ownership structure and intellectual capital and firm value is still unclear and is not well researched, particularly in the Pakistani emerging markets.

Previous research has generally taken an isolated perspective on ownership structure and firm performance and tended to focus on direct relationships. But they have given mixed and inconsistent results especially on the influence of foreign, institutional, and managerial shareholders on IC and FV. Furthermore, the relationship between ownership structure and intellectual capital on firm value, with financial performance as a mediating variable, as well as the mediating role of intellectual capital as a value creation mechanism in the firm, has received little focus. Little empirical evidence, however, provides an explanation on how the various types of ownership drive its development. Furthermore, the mediating effects of financial performance between ownership structure, intellectual capital and firm value have not been sufficiently investigated in previous studies.

Thus, the interaction and mediated relationship between FO, MO, IO, and IC and FV in terms of financial performance is still unexplored. In this regard, the emerging economies like Pakistan can be used to examine the combined and effects of FO, IO and FV on intellectual capital and firm value through financial performance.

Nevertheless, there is little empirical evidence to provide an understanding of the contribution of different ownership types. In addition, the impact of firm performance as a intervening variable between ownership structure, intellectual capital and firm value has not been sufficiently studied in previous literature.

Research Questions

1. How does foreign, institutional and managerial ownership influence Intellectual Capital?

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2.How do foreign, institutional and managerial ownership impact firm value?
3.Does financial performance mediate the link between foreign, institutional and managerial ownership, firm value and intellectual capital?
4.Do financial performance act as an intervening variable between foreign, institutional and managerial ownership and firm value?
5.Which type of ownership structures (foreign, institutional and managerial) have the stronger effect on intellectual capital and firm value?

Objectives of the Study

1.To study the impact of foreign, institutional and managerial ownership on intellectual capital.
2.To examine the impact of foreign, institutional and managerial ownership on the value of the firm.
3.To check the mediating role of financial performance between foreign, institutional and managerial ownership, firm value and intellectual capital?
4.To investigate the mediating role of financial performance between foreign, institutional and managerial ownership and firm value.
5.Analyzing the relative impact of foreign, institutional and managerial ownership on the firm value and intellectual capital.

Significant of the Study

This study is an expansion of the earlier research study by incorporating foreign, institutional and managerial ownership along with intellectual capital and firm value, while also incorporating firm financial performance as a mediating variable. It offers a complete picture of the relationship between ownership structure and the contribution of intellectual capital and firm value by analyzing knowledge intensive business and financial outcomes, especially in the context of emerging markets such as Pakistan.

This study is significant because it offers a detailed understanding of the effect of FO, IO, MO on IC and FV with a special focus on the mediating role of financial performance. The study brings together these relationships in one framework to better understand the complex relationship mechanisms where ownership structure plays a role in value creation in firms. This form of ownership with intellectual capital illustrates the effects of various investors on the knowledge-intensive business of firms. This enables comparing who is the most influential type of investor. Incorporates emerging market evidence with differences in ownership structures and governance as compared to developed markets.

The findings can help corporate managers, investors, and policy makers understand which ownership structures are more effective in augmenting the value of their firms' intellectual capital and improving their firm's performance. This can help in making better investment decisions and good governance. Furthermore, the study is important with respect to emerging markets as these markets have different ownership patterns than the developed markets and the results are context specific and can be used as evidence in the planning and implementation of future reforms and corporate strategies.

2: Literature Review

2.1 Theoretical Base

There are several complementary theories to explain the link between FO, IO, MO, IC, FM and FV. The Agency theory and the Resource-Based View are the major theories employed in this study, and Signaling Theory is used as an ancillary theory to support the Agency Theory and the Resource-Based View (RBV). These views create a theoretical framework to assess the effects of various ownership structures on the internal resources of firms, their financial results, and market valuation.

2.1.1 Agency theory

Agency theory is an explanation of the link between principals and agents when owners delegate decision-making power to managers.

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One of the main issues in this theory is the possible conflict of interest between shareholders and managers. Since the managers have a higher information level regarding the business operations, skills, and business prospects, information asymmetry could emerge between the principals and the agents. The degree of agency problems may vary with ownership structure due to the different incentives and capacities of the different groups of owners to monitor management. External monitoring and governance pressure can be provided by foreign and institutional investors, while managerial ownership can help to support the interest of managers with those of shareholders by giving managers a direct financial position in the firm. An agency perspective indicates that proper monitoring and alignment of interests will decrease managerial opportunism, increase resource allocation efficiency and maybe improve financial performance and firm value. But, knowing who owns the firm does not necessarily guarantee the same governance structure in every firm. Some factors that could affect the efficiency of the ownership-based approach to monitoring are the degree of ownership concentration, the nature of investors, the quality of corporate governance, information asymmetry, and institutional factors. Hence, Agency theory was used to give theoretical support for the study of relationships of foreign, institutional and managerial ownership, financial performance and firm value.

2.1.2 Resource-Based View (RBV)

RBT uses a resource perspective to define the competitive advantages. It is based on strategic management and starts with the idea that internal resources and capabilities of an organization can play a role in building and sustaining competitive advantage. RBT draws attention to the fact that companies have different resources and capabilities, and that these differences can make a difference in terms of achieving superior and sustainable performance. As Sell and al. (2009) discussed that the roots of RBT lie with Penrose (1959) who argued that the investments in organizational resources are critical for understanding the growth and development of a firm. Identify and analyse a firm's valuable resources and capabilities and understand the contribution these make to a firm's competitive advantage and long-term organization success.

There are differences in companies' resources. There will be various perspectives within the companies across various industry types, and each will provide some unique characteristics to the company. According to the RBV, competitive advantage is the result of a corporation's resources and capabilities, which it owns and builds. The main point is that companies have varying resources at their disposal, and, in their capacity, to effectively use those resources. Valuable, rare, hard to imitate and hard to substitute for resources can help sustain a competitive advantage. From an RBV perspective, the relevance of intellectual capital is special because it is a resource that stems from knowledge, which is linked to employees, organizational processes, knowledge systems, innovation and relationships. If developed and utilized properly, human capital, structural capital and capital employed can help the firm create value. Ownership of these resources could have a potential impact on the development and use of these resources. Foreign investors may offer foreign knowledge and technology, managerial skills and organizational systems. Monitoring and efficient resource use can be promoted by institutional investors, and managers can have incentives to invest in organizational capabilities over the long term if they have managerial ownership. But RBV also implies ownership is not always the basis for the creation of IC. The impact of ownership on IC is contingent upon whether firms have organizational resources and incentives to convert ownership-related resources and incentives into value creation based on knowledge. As a result, there could be a different

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relationship between ownership structure and intellectual capital in different firms and institutional settings. Therefore, RBV is an important theory for studying the nexus between the ownership structure and the intellectual capital.

2.1.3 Signaling Theory

In a situation of information asymmetry between managers and outside investors, Signaling Theory provides an explanation of the way in which firms signal to investors that it is of a certain quality and has certain prospects. Describes how firms disclose information regarding their quality and prospects to outside investors, especially those outside investors who have less information about the firm than its managers do. Financial results can be a valuable indicator of the market. Companies that have higher profitability, asset efficiency and effective use of investment resources can provide better information about their prospects. Such information can be factored into the expectations and valuation of investors of the company, which can lead to an increase in the company's value. Likewise, ownership attributes can be used to gain insights into governance and monitoring in a firm. Foreign and institutional ownership can be seen as other factors that could give investors a clue about external monitoring, expertise or governance involvement while managerial ownership could provide investors with a clue about a greater alignment between the managers and shareholders. However, the signals do not always have the same meaning for investors. Their impact could be influenced by the credibility of the information they disclose, market conditions, investors' expectations and institutional environment. So, Signaling Theory offers a valuable complementary explanation of the financial performance and market-based firm value relationship.

2.2 Empirical Base

2.2.1 Foreign Ownership

Foreign ownership is the proportionate number of shares (Ali & Shah, 2023) retained by external shareholders in each company. Foreign ownership is a percentage of the shares held by foreign investors. From numerous experimental studies by Abukosim et al. (2014), it was observed that foreign ownership in the company can make the company to be more valuable.

Foreign ownership is defined as Ordinary shares/stocks held by foreigners / total outstanding common shares in the firm. Foreign ownership can enhance a firm's reputation and exposure as shown in the documents. Foreign investors have a significant impact on management decisions of firms and impact on firm value.

2.2.2 Institutional ownership

Nuraina (2012) defined institutional ownership as the number of shares owned by the institutional investors, namely investment and insurance institutions. However, agency costs can be reduced through institutional shareholders' presence, which enhances corporate monitoring and managerial oversight. Likewise, Ogabo et al., (2021) defined institutional ownership as the percentage of a firm's shares owned by the stakeholders of the institution.

2.2.3 Managerial Ownership

Managerial ownership is the proportion of ownership detained by the managers, executives and directors of the enterprise (Ogabo et al., 2021).

The value implications of institutional investors for the firm may also be associated with the degree of managerial ownership and the nature of institutional investors' corporate governance behavior. A large enough group of informed institutional investors can undertake governance and monitoring responsibilities over the management, change management if needed, and trigger a takeover (Jensen and Meckling 1976,

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Shleifer and Vishny 1986, Admati, Pfleiderer and Zechner 1994). In the current research, one of them is by Kahn and Winton (1998) and the other is by Noe (2002) that have recently suggested that an institutional investor might want to take advantage of the information advantage he or she has over outsiders and instead of engaging in external governance, avoid the cost of activism. However, empirical evidence of the effect of institutional stockholders on firm value is far from concluding.

2.2.4 Intellectual Capital

Intellectual capital has become a key intangible asset in the competitive and knowledge-driven business landscape of today. The knowledge, skills, capabilities, organizational processes, and relationships that allow firms to achieve value beyond their physical and financial assets (Bala et al., 2024; Ketera et al., 2024). Intellectual capital is characterized by a different type of resources as compared with more traditional tangible resources – it is largely captured in the people, the organization, and the business relationships. Such knowledge-based assets can be used to enhance the efficiency, innovation, and competitiveness of an organization in the long run. Therefore, researchers, managers, investors and researchers and policy makers have paid more attention to understanding and tackling IP as one of the key drivers of sustainable value creation (Ahmad, 2025). In developing countries like Pakistan, knowledge of intellectual capital is essential especially as organizations increasingly rely on it to enhance their competitive position through knowledge, human expertise and organizational skills (Ahmed et al., 2023; Ahmad, 2025).

2.2.5 Firm Value

Firm value is the overall economic and market value of firm and is a crucial measurement of corporation's capacity to create benefits to shareholders and other stakeholders in the future. It is driven by investors' expectations for the company's future profitability, growth potential, risk, and the efficient use of resources (Ketera et al., 2024; Ghosh, 2025). The value of a firm in the capital markets can be analyzed using market metrics like Tobin's Q, which indicates the market's evaluation of corporation's assets and prospects (Ahmed et al., 2023; Ghosh, 2025). Therefore, the maximization of firm value is regarded as a significant goal of corporate management as it provides a measure of the efficiencies of managerial decisions and firm's capacity to generate long-term economic value. Firm value is especially significant in emerging economies since its capital-market value, information availability, corporate governance, and investor confidence may affect the value of the firm. Therefore, it is still relevant to realize the elements modifying firm value in the field of corporate finance and accounting (Ketera et al., 2024; Ghosh, 2025).

2.2.6 Financial Performance

Company performance can be considered as a general indicator of the corporation's success in doing business and meeting its organizational goals. It can be evaluated on financial and non-financial aspects. Financial performance measures result in monetary terms, while non-financial performance measures are based on non-monetary results compared to benchmarks or targets. According to Benson (2015), measurement of performance is an important function that enables them to monitor and evaluate if there are any significant issues in their operation which include liquidity issues, adequacy of sales generated and customer complaints. There are various indicators that can be used to evaluate the performance of a firm, such as OI, EBIT, ROA, EPS, Tobin's Q, and ROE.

2.2.7 The Effect of Foreign Ownership on Firm Value

Foreign ownership is expected to lead to better governance, monitoring and managerial skills and

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hence to positive effects on firm value, performance, and growth, which is generally supported by literature. The findings from other studies like those conducted by Ahmed and Iwasaki (2021), Ryu et al. (2021), and Nadia et al. (2023) indicate a positive connection between foreign ownership and firm value. It also plays a key role in improvement and value creation, as discussed by Ryu et al. (2021). Al-Khouri et al. (2004), Fanani and Hendrick (2016), and Wei et al. (2005) have also found that foreign ownership leads to an increase in firm value due to training and human capital development. The argument by Xu et al. (2022) and Alquist et al. (2019) is that FO has a positive effect on productivity because it helps overcome financial constraints. Choi and Park (2019) and Kao et al. (2019) also find a positive relationship and value. The findings are mixed, as Shrivastav and Kalsie (2017) report positive significant effects in some models and none for others. But, in emerging markets, Phung and Le (2013) found a negative relationship because of the information asymmetry. In some cases, FO does not have any significant impact on firm growth (Pham et al., 2020). There is a consensus from most studies that the overall linkage between foreign ownership and firm performance is context-dependent and positive.

2.2.8 The Effect of Institutional Ownership on Firm Value

According to Navissi and Naiker (2006), Vintila and Gherghina (2015), IO has a significant influence on the firm's value. The higher institutional ownership will result in a more significant institutional influence over managers' performance. It is believed that institutional ownership is another corporate governance mechanism that could improve firm value by better monitoring managerial activity. Empirical investigations have observed that institutional investors have a positive consequence on organization value, which means that they contribute to the mitigation of agency conflicts and the enhancement of corporate governance (Holly et al., 2022; Li & Li, 2022; Beji & Yousfi, 2022).

2.2.9 The Effect of Managerial Ownership on Firm Value

Ifada et al. (2021) stated that MO has a positive influence on firm value, implying that managerial shareholders are more inclined to pursue the best interests of the firm, which in turn leads to an improvement in firm value. According to Wulandari et al. (2022), managerial ownership has a significant positive outcome on the corporation value and productivity partially mediates this relationship. The impact of managerial ownership on firm value is significantly larger when profitability is used as a moderating variable (Sari & Rahma, 2022).

2.2.10 The Effect of Foreign Ownership on Intellectual Capital

Meilani et al. (2021) discovered that FO has a positive and significant impact on intellectual capital performance, implying that foreign investors play a role in efficient management and utilization of knowledge-based resources. It is expected that foreign ownership will improve the performance of IC as foreign investors are likely to introduce superior managerial skills, technology and international best practices. Good knowledge transfer and effective monitoring by foreign shareholders play a positive role in Intellectual Capital investment and the effective utilization of Intellectual Capital resources.

Based on empirical studies, foreign ownership has shown a positive effect on the performance and efficiency of intellectual capital (Meilani et al., 2021; Rahman et al., 2024). This connection is also validated by the results of the research conducted by Supradnya et al. (2016) and Bohdanowicz and Urbanek (2013). More FO is correlated with better performance of intellectual capital, as stated by Supradnya et al. (2016) which means that the higher amount of foreign capital shares in a company can be expected to perform

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intellectual capital with better. Likewise, Bohdanowicz and Urbanek (2013) found that the FO factor is significantly related to intellectual capital performance, which implies that foreign investors could play a role in building and efficient utilization of companies' intangible assets.

2.2.11 The Impact of Institutional Ownership on Intellectual Capital

Intellectual capital efficiency is believed to be improved by good governance by having institutional ownership, which involves good monitoring and oversight of management. Institutional investors have the knowledge and capability to drive companies to invest in knowledge-based assets, innovation and human capital. The empirical evidence shows that the positive connection between IO and intellectual capital execution is supported by the efficient use of intellectual resources and can improve corporate governance. Empirical evidence suggests that IO positively affects the progress of IC with the aim of efficiently utilizing intellectual resources and strengthening corporate governance. In addition, the institutional investors play a major role in maximizing benefits from the use of intellectual capital which in turn helps to enhance organizational outcomes (Tiwari, 2023).

The study by Supradnya, et al (2016), Bohdanowicz and Urbanek (2013), Purwanto (2011), Putriani (2010) and Novitasari and Januarti (2009) confirmed that institutional ownership has a positive impact on intellectual capital performance. Research by Supradnya, et al. (2016) indicates that IO is positively correlated to the performance of IC. This implies that the more institutionalized a firm, the better its intellectual capital performance; and the better the firm's intellectual capital performance, the more institutionalized it is. The results of Bohdanowicz and Urbanek's (2013) research indicate that IO positively influences the performance of IP. The study of Novitasari and Januarti (2009) revealed that IO has negative and significant influence on the performance of IC.

2.2.12 The impact of Managerial Ownership on Intellectual Capital

Intellectual capital performance is expected to be influenced by managerial ownership as it ensures that managers and shareholders are working for the same goal and that knowledge-based resources are invested. But there is mixed empirical evidence. Meilani et al. (2021) concluded that there is no significant effect of managerial ownership on the performance of intellectual capital. This indicates that managerial ownership alone may not be able to improve the utilization of intellectual capital. Likewise, recent findings in Pakistan show that there is still inconclusive evidence of the MO, IO, MO and IC performance and further research is warranted.

2.2.13 The relationship between Foreign Ownership and Financial Performance

FO is positively associated with firm performance, as found in Putri and Setiawan (2023), which means that foreign investors can improve the monitoring and governance of the firms, which subsequently will improve financial performance of the firms. Son and Truong (2023) declared that foreign ownership has a significant correlation with financial performance. The study has revealed that moderate foreign ownership enhances financial performance, but when it is increased to high level, the performance may decrease. Setiawan & Kurniawati (2023) found positive effects of foreign ownership on the financial performance of manufacturing corporations, suggesting that foreign shareholders have positive influence on the companies' operational efficiency and governance. Gupta, Agarwal and Jagwani (2021) studied that foreign ownership significantly affects the performance of the firm, but the relationship might be non-linear based on the level of foreign ownership.

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2.2.14 The relationship between Institutional Ownership and Financial Performance

Abedin et al. (2022) investigated the effects of both national and foreign institutional ownership on financial performance in terms of ROA and Tobin's Q and found positive and significant results. The study confirms the "active monitoring" theory which holds that institutional investors have a beneficial influence on the corporation's performance through their monitoring. Abdel Latif et al. (2022) revealed that institutional ownership has a positive effect on the performance of the corporation where it shows that it helps in improving the monitoring process and helps to minimize the agency conflicts between the management and the shareholders. According to Hong and Linh (2023), institutional ownership has a positive influence on the firm's performance because it enhances governance and lowers the risks of managerial opportunism. Using French CAC40 firms, Boudermine and Keddam (2024) determined that there is a negative connection between IO and the financial performance of the firm in this sample, indicating that the impact of institutional ownership might differ across countries and institutional Al-Najjar (2015) analyzed the impact of IO on Jordanian listed companies' performance based on 82 listed companies in Jordan. The measures of firm performance were ROA and ROE. The outcomes revealed that there is no significant correlation between institutional ownership and performance of the firm. A study conducted by Masry (2016) was like the above study but was performed within the Egyptian firms. The conclusions discovered that IO had positive and significant relationship with FP. So, institutional ownership as a mechanism of observing and supervising activities decreased agency conflict and increased corporate performance in the emerging economy.

2.2.15 The relationship between Managerial Ownership and Financial Performance

In line with the agency theory, Ogabo et al. (2021) studied the association between managerial ownership and firm performance and concluded that managerial ownership had a positive effect on firm performance. Wulandari, et al. (2022) found that managerial ownership has a positive relationship with firm performance because the managers will be encouraged to take decisions that maximize firm value for shareholders.

2.2.16 The relationship between Financial Performance and Intellectual capital

Financial performance can also influence the improvement of the intellectual capital, by equipping companies with the capital needed to invest in employee development, innovation, research and development, and knowledge management systems. These firms tend to create greater organizational slack, allowing them to invest in strategic intangible resources and development of their capabilities. Recent research indicates that slack resources offer the flexibility needed to enable organizations to engage in learning, innovation, and capability development over time, enhancing their intellectual capital (De Jong et al., 2021; Mount et al., 2024; Zhang et al., 2025). Based on this, it is assumed that firms with good financial performance have higher levels of intellectual capital.

2.2.17 The relationship between Financial Performance and Firm value

FP is well established as one of the main factors in driving firm value as it is a proxy for a firm's capacity to make profit and to efficiently use resources. Signaling Theory states that if the finances are good, then investors will receive positive information about the firm's prospects, which will lead to an enhancement in the market value of the firm. Empirical research conducted in recent years has shown a positive connection between the financial performance and the value

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of a firm, whereby firms with high profitability and high operational efficiency have high market valuation (Ferriswara et al., 2022; Imronudin et al., 2022; Osho & Omole, 2022).

2.2.18 Mediating role of FP in the relationship between FO and IC

FO can bring about a positive impact on IC development by giving firms opportunities to gain access to foreign knowledge, expertise, and advanced technology, as well as managerial knowledge (Meilani et al., 2021). Concurrently, foreign investors boost organizational efficiency and profitability and provide better financial performance. Previous research has shown that companies with higher financial performance have greater potential to invest in human capital, innovation and knowledge resources, which will further enhance the intellectual capital of the company (Ali et al., 2022). Hence, financial performance could be considered as a mediator variable as a pathway by which foreign ownership affects the development of intellectual capital.

2.2.19 Mediating role of FP in the relationship between IO and IC

The institutional investors' monitoring role contributes to better corporate governance and therefore to the better functioning of companies and their profitability. Better monetary results offer organizations extra resources to invest in staff development, innovation, research and development, and understanding administration practices. These investments aid in developing and building the knowledge capital. Thus, financial performance can be used as an intermediate link between institutional ownership and the effect of financial performance on intellectual capital. Consistent with agency theory and resource-based theory, the agency ownership structure will be associated with improved financial performance whilst improved financial performance will, in turn, foster intellectual capital development (Ali et al., 2022; Nguyen et al., 2022).

2.2.20 Mediating role of FP in the relationship between MO and IC

MO is thought to enhance financial performance, with the idea that managers' interests will be aligned with shareholders because they are allowed to benefit from the firm's success. Managerial ownership is supposed to improve financial performance because it is thought of minimizing agency costs and to bring managers' interests closer in line with those of the shareholders. Ownership-based managers are more likely to follow strategies that will enhance long-term organizational success and profitability. By improving financial performance, companies have the funds needed to invest in employee development, innovation, research and development, and knowledge management systems. The investments support intellectual capital; they enhance organizational competitiveness. So, the affiliation between MO and IC should be mediated by financial performance (Xu & Liu, 2020; Ali et al., 2022; Xu & Li, 2022).

2.2.21 Mediating role of FP in the relationship between FO and FV

Husodo and Wiksuana (2020) examined the mediation effect of profitability in the connection between institutional ownership and managerial ownership with firm value. The study has revealed that ownership is indirectly affecting firm value via firm profitability, which is considered as a significant mediator.

2.2.22 Mediating role of FP in the relationship between IO and FV

IO contributes to the improvement of value of the firm through financial performance. While agency conflicts are diminished and managerial efficiency enhanced, institutional investors' monitoring power and governance skills yield better financial results (Abedin et al., 2022; Hong & Linh, 2023). Better performance of the financial statements, on the other hand, improves firm value since the more profitable the firm is

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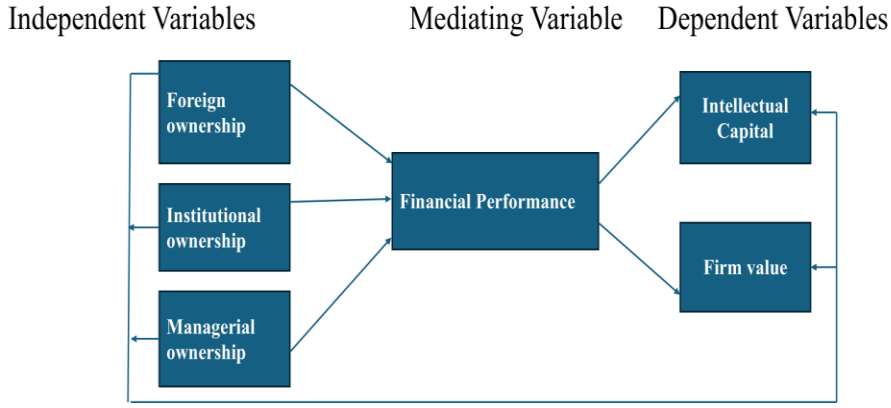
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the more investor confidence it achieves and the better market valuation it gets (Ferriswara et al., 2022). Empirical evidence also confirms that ownership structure plays a significant role in affecting company value, where profitability is an important intervening factor (Husodo & Wiksuana, 2020). Hence, the role of financial performance is expected to play a mediating role between IO and FV.

2.2.23 Mediating role of FP in the relationship between MO and FV

Managerial ownership affects firm value through its impact on financial performance, an effect that is important. Managers' stake in the firm translates to shareholders' interests, resulting in better financial performance, improved efficiency, and reduced agency conflicts (Ogabo et al., 2021). Better financial performance, in turn, would also benefit the firm value as profitable firms would be most appealing to investors and have high market confidence (Ferriswara et al., 2022). Empirical studies also reveal that managerial ownership directly affects firm value and profitability is one of the mediating variables linking managerial ownership and firm value (Husodo & Wiksuana, 2020). Thus, it is hypothesized that financial performance will moderate the connection between MO and FV.

2.2.24 Conceptual Framework



2.2.25 Hypothesis

Direct Effect

1. Foreign Ownership has a significant positive effect on Intellectual Capital.
2. Institutional Ownership has a significant positive effect on Intellectual Capital.
3. Managerial Ownership has a significant positive effect on Intellectual Capital.
4. Foreign Ownership has a significant positive effect on Firm Value.
5. Institutional Ownership has a significant positive effect on Firm Value.
6. Managerial Ownership has a significant positive effect on Firm Value.

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Indirect Effect

7. Foreign Ownership has a significant positive effect on Financial Performance.
8. Institutional Ownership has a significant positive effect on Financial Performance.
9. Managerial Ownership has a significant positive effect on Financial Performance.
10. Financial Performance has a significant positive effect on Intellectual Capital.
11. Financial Performance has a significant positive effect on Firm Value.

Mediation Effect

12. Financial Performance mediates the relationship between Foreign Ownership and Intellectual Capital.
13. Financial Performance mediates the relationship between Institutional Ownership and Intellectual Capital.
14. Financial Performance mediates the relationship between Managerial Ownership and Intellectual Capital.
15. Financial Performance mediates the relationship between Foreign Ownership and Firm Value.
16. Financial Performance mediates the relationship between Institutional Ownership and Firm value.
17. Financial Performance mediates the relationship between Managerial Ownership and Firm Value.

3: Research Methodology

3.1 Population and sampling Technique

The population of this study is non-financial companies that are listed on the Pakistan Stock Exchange (PSX) for the selected period (2016-2025). The listed companies on the PSX in the period 2016-2025, with the criteria (a) The company does not publish annual financial statements of 10 years (b) If the companies don't have the managerial, institutional, foreign ownership were not taken as a sample Thus, a final sample of 20 companies are analyzed. This study is based on secondary data which is sourced from financial statements, annual reports and other sources that are generally available in the public domain.

3.2 Research Approach and Data Collection

In terms of the research problem, this study uses an explanatory research approach in which the research is conducted to examine and explain the relationship that occurs between the independent variable and dependent variable in the form of hypotheses (Sugiyono, 2012). The study relied on secondary data which were gathered from the official website of the PSX and other publicly available financial reports of the listed companies.

3.3 Research Design

The research design used was a panel data approach since the data contains repeated observations for the same firms over several years. Panel data are well suited for the analysis of the relationships between ownership structure, financial performance, intellectual capital and firm value, as they allow for the analysis of both cross sectional and time variation. There are two parts to the empirical analysis. To estimate the direct association between ownership structure and outcomes of the study and to discover the correlation between financial performance and outcomes, regression models are first examined. Second, mediation analysis was employed to examine if the relationship between ownership structure and intellectual capital, as well as between ownership structure and firm value, is mediated.

3.4 Method of Data Collection

The secondary data utilized in this study has been derived from the annual reports of listed companies, financial statements of the listed companies, corporate governance reports of listed companies and databases maintained by Pakistan Stock Exchange. Foreign & institutional ownership and shareholding data will be obtained from ownership and shareholding

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disclosures and financial data needed for measuring ROA, ROE, ROI and corporation value will be obtained from financial statements. All the obtained data will be compiled as a panel data and subsequently analyzed with suitable statistical methods to test the proposed hypotheses and mediation relationships.

3.5 Independent Variable

3.5.1 Foreign Ownership

Foreign ownership is the percentage of a company's shares owned by foreign investors. The foreign ownership is calculated as the percentage of the total number of outstanding shares of a company held by foreign investors. This methodology is used by Supradnya et al. (2016).

3.5.2 Institutional Ownership

Institutional ownership is the percentage of shares owned by institutional investors. These investors can be investment firms, banks, insurance companies or other institutional funds. Institutional ownership was measured as the percentage of total number of outstanding shares held by the institutional investors. This approach is used by Supradnya et al. (2016).

3.5.3 Managerial Ownership

Managerial ownership is defined as the percentage of shares held by managerial members of a company. This could be executive managers, directors and/or board of commissioners who are shareholders in the company. Supradnya et al. (2016) used managerial ownership as the percentage shares of the company owned by the managerial companies.

3.6 Dependent Variable

3.6.1 Firm Value

Tobin's Q is a measure of firm value and is a common, market-based indicator, while firm value (FV) is measured in terms of Tobin's Q. Tobin's Q is a market-oriented measure that can be used to complement the accounting measure of firm performance because it shows the investors' assessment of firm's value added or prospects in creating value (Ichsani et al., 2021; Rahayu et al., 2023).

3.6.2 Intellectual Capital

Intellectual capital efficiency in companies is generally measured using the VAIC model. The VAIC model comprises three efficiency components, which are Human Capital Efficiency, Structural Capital Efficiency, and Capital Employed Efficiency. These three factors are summed together to provide the overall VAIC score that shows the firm's capacity to create value from its intellectual and physical assets. This model is commonly used in empirical studies examining the role of intellectual capital in firm's performance and value creation (Al-Musali & Ismail, 2021; Xu et al., 2022; Ullah et al., 2023).

3.7 Mediating Variables

These are some of the most frequently used ratios to assess the financial performance of a business, among others: ROA, ROE and ROI. Return on assets is an indicator of how effective a company is in generating profits from its overall assets, while return on equity is a signal of how much income a corporation can generate on the capital invested by the owners. ROI can offer a more comprehensive evaluation of the effectiveness of an investment by looking at the returns generated from the investment compared to the capital invested. These indicators can provide a thorough assessment of a company's profitability, efficiency, and investment returns, and are generally considered to be reliable indicators of corporate financial performance in corporate finance research (Ali et al., 2022; Hira et al., 2023; Zhang & Su, 2023). But Return on Investment (ROI) gives another angle to the question: How effective are the management's investment choices and how well does the company return the money invested? The concept of ROI is also added to the existing research, which has mainly been based on ROA and ROE. Hence, this study employs the

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financial performance indicator in terms of ROA, ROE and ROI.

3.8 Data Analysis

Descriptive statistics such as (mean, standard deviation, minimum, maximum, skewness and kurtosis) were applied to explain the distributional descriptions of the study variables. The Pearson correlation coefficients were used to investigate the direction and strength of the linear relations between FO, IO, MO, FP, IC, and firm value. Diagnostic procedure was used to check for any econometric issues before applying regression analysis. Variance inflation factor (VIF) was used to test for multicollinearity. The Breusch–Pagan test was used to analyze the heteroscedasticity and the Wooldridge test for panel data was used for the serial correlation. Pesaran's CD test was used to test for the presence of cross-sectional dependence. To choose the best panel data specification, the Breusch–Pagan Lagrange Multiplier test and Hausman specification test were examined. Measures of explanatory power, p-values, test statistics, standard errors, coefficient estimates and confidence intervals are reported in the regression analysis. Where applicable, inference is by firm-level clustering/robust procedures, due to the repeated observations within firms.

3.9 Model Specification

To examine the direct associations of the independent variables (ownership structure, financial performance, IP) and the dependent variable (value of the firm), the following empirical models were estimated.

Model 1: Ownership structure and Intellectual capital $IC_{it} = \beta_0 + \beta_1 FO_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \varepsilon_{it}$

Model 2: Ownership structure and firm's value

$FV_{it} = \beta_0 + \beta_1 FO_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \varepsilon_{it}$

Model 3: Ownership structure and financial performance

$FP_{it} = \beta_0 + \beta_1 FO_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \varepsilon_{it}$

Model 4: Ownership Structure, Financial Performance and Intellectual Capital. $IC_{it} = \beta_0 + \beta_1 FO_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \beta_4 FP_{it} + \varepsilon_{it}$

Model 5: Ownership structure, performance and firm value.

$FV_{it} = \beta_0 + \beta_1 FO_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \beta_4 FP_{it} + \varepsilon_{it}$

Where the parameters i stands for firm, t for year, β_0 is the intercept, β_1–β_4 are the estimated parameters, and ε_{it} is the error term. The model is developed to test the direct effect of the three aspects of ownership, the interaction between the ownership structure and financial performance and interaction between financial performance and the two outcome variables. The mediation analysis then examines if financial performance is the indirect pathway through which the nexus between ownership structure and intellectual capital is correlated with firm value.

4: Discussion of the Findings

Descriptive statistics of the study variables presented by 198 firm-years are given in Table 1. The findings show that there is significant variance in ownership structure, financial performance, intellectual capital and firm value among the firms sampled. The mean foreign ownership (FO) of 4.31% (SD = 6.39) is relatively low compared to institutional ownership (IO) with a mean of 35.62% (SD = 26.49) and managerial ownership (MO) with a mean of 15.40% (SD = 22.63). The relatively large standard deviations and wide ranges of these variables indicate considerable variation in ownership structures across firms and overtime. The financial performance (FP) means 12.39% (SD = 28.52); the range of firms' performance is −229.40% to 124.20% that reflects strong variation in firm performance. Intellectual capital (IC) has a mean of 20.47 (SD = 22.12), ranging from −35.20 to 102.01, while firm value (FV), measured by Tobin's Q, has a mean of 1.44 (SD = 1.33), with values between 0.09 and 9.94. The average value of the Tobin's Q is greater than one, indicating that on average the sample firms in the

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market have a value that is higher than the value of the book/replacement value. The shape of the distribution is also significant, showing deviations from symmetry. FO (skewness = 2.25), MO (1.64), IC (1.63), and FV (3.67) are positively skewed, whereas FP is strongly negatively skewed (−2.89). The positive skewness is relatively low for IO (0.53). Pearson kurtosis is quite large for FP (33.84), and FV (19.41), which suggests that these data have heavy-tailed distributions and outlying observations. Similar but less extreme tail behavior occurs with FO (8.63), MO (4.46) and IC (5.55). These statistics are for the original data in the sample, as no winsorization or outlier deletion was performed. Given these distributional characteristics, it is necessary to appropriately diagnose and adopt strong estimation methods for the following panel-data analyses.

Table 1. Descriptive statistics

Variable	Mean	SD	Minimum	Maximum	Skewness	Kurtosis
FO	4.3069	6.3853	0.0000	33.3100	2.2526	8.6312
IO	35.6201	26.4949	1.0400	84.6300	0.5312	1.8379
MO	15.3999	22.6266	0.0000	81.4200	1.6419	4.4587
FP (ROA, ROE, ROI)	12.3890	28.5150	-229.3970	124.2000	-2.8893	33.8441
IC	20.4744	22.1178	-35.2040	102.0070	1.6305	5.5542
FV	1.4357	1.3276	0.0890	9.9380	3.6651	19.4088

N = 198 for every variable. SD uses n − 1; skewness is bias-adjusted; Pearson kurtosis is reported (normal distribution = 3). No winsorization or outlier deletion is applied.

Pearson correlation coefficient as shown in Table 2 indicates that foreign ownership (FO) and institutional ownership (IO) are positively correlated, with values of 0.17 and 0.45 respectively. Table 2 shows that foreign ownership (FO) is positively correlated to institutional ownership (IO) with the value of 0.17 and 0.45 respectively. The results showed that the relationships between the studied variables were weak, reflecting low linear relationships between the variables. FO is weakly and negatively correlated with IO (r = −0.2019), FP (r = −0.0851), IC (r = −0.1287), and FV (r = −0.0816), whereas its association with MO is negligible and positive (r = 0.0623). The negative correlations between IO and MO (r = −0.4998) and between IO and FV (r = 0.3400) are moderate. Its correlations with FP (r = 0.1813) and IC (r = −0.1826) are relatively weak. MO shows weak relationships with FP (r = −0.0523), IC (r = 0.1318), and FV (r = −0.1828). FP has moderate positive correlation with FV (r = 0.5238), and it is the strongest positive correlation in the correlation matrix of the outcome-related variables. FP and IC, on the other hand, have a very weak and positive association (r = 0.0835), and IC and FV have a very weak and negative association (r = −0.0867). The general results of the correlations suggest that the direction and strength of linear relationships among the variables are in the preliminary stage. Furthermore, the relatively weak relationships between the explanatory variables are also confirmed in the subsequent VIF results where no significant issues are found regarding the multicollinearity of the variables.

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Table 2. Pearson correlation matrix

Variable	FO	IO	MO	FP	IC	FV
FO	1.0000	-0.2019	0.0623	-0.0851	-0.1287	-0.0816
IO	-0.2019	1.0000	-0.4998	0.1813	-0.1826	0.3400
MO	0.0623	-0.4998	1.0000	-0.0523	0.1318	-0.1828
FP	-0.0851	0.1813	-0.0523	1.0000	0.0835	0.5238
IC	-0.1287	-0.1826	0.1318	0.0835	1.0000	-0.0867
FV	-0.0816	0.3400	-0.1828	0.5238	-0.0867	1.0000

N = 198. Correlations describe pooled linear associations. Significance stars are omitted because ordinary independent observation Pearson tests do not account for repeated firm observations. These values replace the prefilled correlations in the template.

The variance inflation factor statistics for the ownership variables are presented in Table 3. The mean VIF is 1.2558, the VIF value for foreign ownership (FO) is 1.0447, the VIF value for institutional ownership (IO) is 1.3871, the VIF value for managerial ownership (MO) is 1.3357. Both values are well below the threshold of 5 and even lower than the threshold of 10, which is the more conservative threshold, and show that the ownership (O) predictors do not have problematic linear multicollinearity. The VIFs indicate that each ownership variable is relatively independent of one another, so that the regression coefficients estimated are not likely to significantly bias due to linear dependency between the predictors. The results are also in accord with the relatively low pairwise-correlations in Table 2, especially those between IO and MO ($r = -0.500$). Generally, the multicollinearity diagnostics do not suggest that there is any serious collinearity problem between the ownership variables. However, VIF statistics are only a measure of linear dependence among the predictors included in the model and do not provide an explicit measure of the overall validity or adequacy of the panel-data models.

Table 3. Multicollinearity test

Variable	VIF
FO	1.0447
IO	1.3871
MO	1.3357
Mean VIF	1.2558

VIFs are calculated from auxiliary regressions with an intercept and the other ownership variables. Mean VIF = 1.2558. These results indicate little linear collinearity among the three ownership predictors; they do not establish model validity.

To explore the link between ownership structure and intellectual capital (IC), Table 4 looks at the relationship between the two. Table 4 investigates

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the link between ownership structure and intellectual capital (IC) based on 198 observations of firm-years of 20 firms. In the ownership-only specification, foreign ownership (FO) has a negative but statistically insignificant association with IC (B = −0.5915, SE = 0.4727, t = −1.2514, p = 0.2260, 95% CI [−1.5809, 0.3978]). Similarly, institutional ownership (IO) exhibits a negative and statistically insignificant coefficient (B = −0.1623, SE = 0.1841, t = −0.8817, p = 0.3890, 95% CI [−0.5476, 0.2230]). Managerial ownership (MO) has a small positive but statistically insignificant association with IC (B = 0.0443, SE = 0.2019, t = 0.2194, p = 0.8287, 95% CI [−0.3783, 0.4669]). There is therefore no statistically significant evidence of relationship between the three ownership variables and intellectual capital in the ownership-only specification. The model explains approximately 6.34% of the variation in IC (R^2 = 0.0634; adjusted R^2 = 0.0490). The second specification adds financial performance (FP) as an extra predictor. The coefficients of FO (B = −0.5729, p = 0.2252) and IO (B = −0.1804, p = 0.3500) are still statistically insignificant, suggesting that the addition of FP has little effect on the estimated relationships between ownership structure and the IC. The coefficients of FO (B = −0.5729, p = 0.2252) and IO (B = −0.1804, p = 0.3500) are still not statistically significant, meaning that the addition of FP has little effect on the estimated relationships between ownership structure and the IC. FP itself has a positive but statistically insignificant association with IC (B = 0.0858, SE = 0.0583, t = 1.4733, p = 0.1571, 95% CI [−0.0361, 0.2078]). The coefficient is positive, but the CI contains zero, so there is little evidence of a statistically significant relationship. The model has a modest increase in its explanatory power to R^2 = 0.0752 and a corresponding increase in the adjusted R^2 to 0.0561. All in all, it may be said that the results of the analysis are not statistically significant for the relationship between FO, IO, MO and the sample intellectual capital. The signs on the coefficients are also mixed: FO and IO are negatively related to IC while MO is positively related to IC. Furthermore, the contribution of FP to the explanation of the model is relatively small as seen from the value of the difference in R^2 (ΔR^2 = 0.0118), meaning that FP only adds a small amount of explanatory information in this specification. These findings should be understood as associations, not causes and the subsequent panel data and mediation analyses are needed to further examine the hypothesized relationships.

Table 4. Ownership structure and intellectual capital

Ownership only (total)

Variable	B	SE	t	p	95% CI
Constant	28.1208	12.9663	2.1688	0.0430	[0.9820, 55.2596]
FO	-0.5915	0.4727	-1.2514	0.2260	[-1.5809, 0.3978]
IO	-0.1623	0.1841	-0.8817	0.3890	[-0.5476, 0.2230]
MO	0.0443	0.2019	0.2194	0.8287	[-0.3783, 0.4669]

N = 198; firms = 20; R^2 = 0.0634; adjusted R^2 = 0.0490.

With FP (direct)

Variable	B	SE	t	p	95% CI
Constant	27.7026	12.8714	2.1523	0.0444	[0.7625, 54.6427]

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Variable	B	SE	t	p	95% CI
FO	-0.5729	0.4570	-1.2537	0.2252	[-1.5293, 0.3835]
IO	-0.1804	0.1883	-0.9582	0.3500	[-0.5744, 0.2136]
MO	0.0390	0.2020	0.1933	0.8488	[-0.3837, 0.4618]
FP	0.0858	0.0583	1.4733	0.1571	[-0.0361, 0.2078]

N = 198; firms = 20; R^2 = 0.0752; adjusted R^2 = 0.0561.

Table 5 provides information on the link between ownership structure and firm value. None of the ownership variables are significantly related to firm value in the ownership-only specification. The coefficient of foreign ownership (FO) is negative but small (B = −0.0029, p = .8589), while the coefficient of institutional ownership (IO) is positive but small (B = 0.0164, p = .3453). Managerial ownership (MO) is also negatively associated with firm value (B = −0.0010, p = .8567). The estimated effects of all three ownership variables are not significantly different from zero, given that all three 95% confidence intervals contain zero. The model explains 11.60% of the variation in firm value (R^2 = .1160; adjusted R^2 = .1024). By inserting financial performance (FP) the coefficients of ownership variables are still statistically insignificant; however, the sign of FO changes from minus to plus. FO shows a positive but negligible association with firm value (B = 0.0019, p = .9020), while IO remains positive (B = 0.0117, p = .2599) and MO remains negative (B = −0.0024, p = .5486). FP itself has a positive coefficient (B = 0.0223), but its effect is not statistically significant (p = .1426; 95% CI [−0.0082, 0.0529]). Notably, the addition of FP raises the R^2 from .1160 to .3378, an increase of .2218; and the adjusted R^2 goes from .1024 to .3241. This means that the model is a significant improvement in terms of explainability, but it does not yet imply that the FP coefficient is statistically significant. The results, overall, did not offer any statistical evidence of a direct positive relationship between foreign, institutional and managerial control and firm value. Besides, the findings of this table do not provide the evidence of the mediation, which requires evidence of the mediation pathway from the relevant ownership to the FP as well as a statistically supported indirect effect, preferably based on the confidence intervals of the Bootstrap method.

Table 5. Ownership structure and firm value

Ownership only (total)

Variable	B	SE	t	p	95% CI
Constant	0.8785	0.4740	1.8533	0.0794	[-0.1136, 1.8707]
FO	-0.0029	0.0163	-0.1802	0.8589	[-0.0372, 0.0313]
IO	0.0164	0.0170	0.9677	0.3453	[-0.0191, 0.0520]
MO	-0.0010	0.0057	-0.1830	0.8567	[-0.0130, 0.0109]

N = 198; firms = 20; R^2 = 0.1160; adjusted R^2 = 0.1024.

With FP (direct)

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Variable	B	SE	t	p	95% CI
Constant	0.7697	0.4148	1.8555	0.0791	[-0.0985, 1.6379]
FO	0.0019	0.0152	0.1248	0.9020	[-0.0300, 0.0338]
IO	0.0117	0.0101	1.1612	0.2599	[-0.0094, 0.0329]
MO	-0.0024	0.0040	-0.6108	0.5486	[-0.0107, 0.0059]
FP	0.0223	0.0146	1.5297	0.1426	[-0.0082, 0.0529]

N = 198; firms = 20; R^2 = 0.3378; adjusted R^2 = 0.3241.

The relationship between ownership structure and financial performance is discussed in table 6. The results indicate that none of the ownership variables has a statistically significant effect on financial performance. Financial performance (FP) is negatively associated with foreign ownership (FO) (B = −0.2170, p = .6312), and institutional ownership (IO) is positive (B = 0.2108, p = .4019). Managerial ownership (MO) also has a positive coefficient (B = 0.0613, p = .5514). The 95% intervals for all three ownership variables, however, do contain zero, suggesting that the effects of these ownership variables are not statistically different from zero. There is a lack of explanatory power of the model, as R^2 = .0371 and adjusted R^2 = .0222, so that the model can explain about 3.71% of the variation in financial performance in the study. Overall, there is no statistical evidence of a significant direct relationship between foreign ownership, institutional ownership and managerial ownership and financial performance. Thus, the theoretical relationships between ownership and financial outcome are not confirmed by the results.

Table 6. Ownership structure and financial performance

Variable	B	SE	t	p	95% CI
Constant	4.8716	8.5019	0.5730	0.5734	[-12.9231, 22.6664]
FO	-0.2170	0.4447	-0.4879	0.6312	[-1.1477, 0.7138]
IO	0.2108	0.2458	0.8574	0.4019	[-0.3037, 0.7253]
MO	0.0613	0.1011	0.6064	0.5514	[-0.1503, 0.2729]

N = 198; firms = 20; R^2 = 0.0371; adjusted R^2 = 0.0222.

Table 7 shows the FP and IC relationship after controlling foreign ownership (FO), institutional ownership (IO) and managerial ownership (MO). The results indicate that there is a positive correlation between financial performance and intellectual capital (B = 0.0858), but the correlation is not statistically significant (t = 1.4733, p = .1571; 95% CI [−0.0361, 0.2078]). Therefore, there is not enough evidence to suggest a statistically significant positive relationship between financial performance and intellectual capital because the confidence interval contains the 0 value. Among the ownership variables, FO (B = −0.5729, p = .2252) and IO (B = −0.1804, p = .3500) exhibit negative associations with intellectual capital, whereas MO has a small positive coefficient (B = 0.0390, p = .8488). The 95% confidence intervals

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for these coefficients all contain zero, indicating that none of these coefficients are statistically significant. The model has a relatively low impact with an adjusted R^2 of .0561, which explains only 7.52% of the variation in intellectual capital. The overall results do not show a statistically significant correlation between financial performance and intellectual capital. Thus, when the hypotheses predicted that financial performance would have a positive relationship with intellectual capital, the results were inconclusive.

Table 7. Financial performance and intellectual capital

Variable	B	SE	t	p	95% CI
Constant	27.7026	12.8714	2.1523	0.0444	[0.7625, 54.6427]
FO	-0.5729	0.4570	-1.2537	0.2252	[-1.5293, 0.3835]
IO	-0.1804	0.1883	-0.9582	0.3500	[-0.5744, 0.2136]
MO	0.0390	0.2020	0.1933	0.8488	[-0.3837, 0.4618]
FP	0.0858	0.0583	1.4733	0.1571	[-0.0361, 0.2078]

N = 198; firms = 20; R^2 = 0.0752; adjusted R^2 = 0.0561.

Table 8 presents the full model that investigated the association between FP and FV, controlling FO, IO, and MO. The coefficient for financial performance is positive (B = 0.0223) which implies that greater financial performance is linked to greater firm value, but this is not statistically significant (t = 1.5297, p = .1426; 95% CI [−0.0082, 0.0529]). Therefore, the confidence interval contains zero and the data is not statistically significantly related to firm value. With respect to ownership controls, FO shows a positive coefficient B = 0.0019, p = .9020 and IO shows a positive coefficient B = 0.0117, p = .2599. MO has a negative coefficient (B = −0.0024, p = .5486). There is no statistical evidence of any of these ownership coefficients to be significant, all corresponding 95% confidence intervals include zero. The model accounts for 33.78% of the total variation in firm value (R^2 = .3378; adjusted R^2 = .3241) which is significantly higher than the ownership-only specification. Overall, the results are not statistically significant to support the positive relationship between financial performance and firm value when controlling for ownership structure. Therefore, if the hypothesis suggests that financial performance has a positive impact on firm value, the hypothesis is rejected.

Table 8. Financial performance and firm value

Variable	B	SE	t	p	95% CI
Constant	0.7697	0.4148	1.8555	0.0791	[-0.0985, 1.6379]
FO	0.0019	0.0152	0.1248	0.9020	[-0.0300, 0.0338]
IO	0.0117	0.0101	1.1612	0.2599	[-0.0094, 0.0329]
MO	-0.0024	0.0040	-0.6108	0.5486	[-0.0107, 0.0059]
FP	0.0223	0.0146	1.5297	0.1426	[-0.0082, 0.0529]

N = 198; firms = 20; R^2 = 0.3378; adjusted R^2 = 0.3241.

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Tables 7 and 8 reproduce the full FP-adjusted outcome models so that the mediator path and ownership controls are visible together.

The mediation analysis in Table 9 shows that FP intervenes in the correlation between ownership structure and IC. Indirect effects were estimated using 10,000 replications of the cluster of firms (bootstrap replications). The results show that all three mediation pathways have 95% bootstrap confidence intervals containing zero, which was used to determine a lack of statistical significance. The indirect effect is negative and small (ab = −0.0186) and 95% bootstrap confidence interval is (−0.1507, 0.0825) for foreign ownership. The indirect effect is positive (ab = 0.0181) but with a confidence interval that contains zero [−0.0413, 0.0567] for institutional ownership. Likewise, the indirect effect of managerial ownership through financial performance is positive but small (ab = 0.0053) with the 95% confidence interval of -0.0311 to 0.0281. Therefore, there is no statistical evidence that financial performance is a mediating variable between the three dimensions of ownership and the intellectual capital. These direct effects are also statistically negligible for FO (B = −0.5729), IO (B = −0.1804), and MO (B = 0.0390) as reported in the previous regression analysis. Overall, in the case of FO, IO, and MO, none of the bootstrap mediation would suggest that the effect of FO, IO, or MO on IC is mediated by financial performance. Thus, the mediation hypotheses are rejected.

Table 9. Mediation through financial performance: intellectual capital

Relationship	Direct	Indirect	Total	Boot. SE	95% CI lower	95% CI upper	Approx. p	Decision
FO → FP → IC	-0.5729	-0.0186	-0.5915	0.0566	-0.1507	0.0825	0.7125	Not supported
IO → FP → IC	-0.1804	0.0181	-0.1623	0.0258	-0.0413	0.0567	0.7245	Not supported
MO → FP → IC	0.0390	0.0053	0.0443	0.0153	-0.0311	0.0281	0.7709	Not supported

N = 198; 20 firms; 10,000 firm-cluster bootstrap replications; seed = 20260906. Direct = c′; indirect = a × b; total = c. Coefficients use the supplied variable scales.

Table 10 presents the mediation analysis results for the mediation between financial performance (FP) and firm value (FV) for the relationship between the ownership structure and firm value. Indirect effects were examined with 10,000 bootstrap replications of the data for each firm cluster, and decisions were made regarding mediation with the aid of the bootstrap 95% confidence intervals. There is no evidence whatsoever from the results of the three ownership dimensions for an indirect effect. The indirect effect, ab = −0.0048, has a 95% bootstrap confidence interval of [−0.0330, 0.0169] that contains the value of zero. The indirect effect is positive (ab = 0.0047) but the confidence interval [−0.0012, 0.0284] contains zero as well. Likewise, the indirect effect of managerial ownership is positive but small (ab = 0.0014) and has a 95% confidence interval of [−0.0033, 0.0097]. Thus, FO, IO, and MO have no significant intervening effects between them and firm value. The direct effects are also statistically insignificant for FO (B = 0.0019), IO (B = 0.0117), and MO (B = −0.0024).

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Importantly, the absence of any total effect is not a necessary criterion for testing mediation; only whether the bootstrap confidence interval for the indirect effect excludes zero. All three indirect confidence intervals are not statistically significant, with all containing a value of zero, so there is no evidence for the mediation hypotheses. The overall results show that the financial performance is not a statistically significant intervening variable between the ownership structure and firm value in the models of interest.

Table 10. Mediation through financial performance: firm value

Relationship	Direct	Indirect	Total	Boot. SE	95% CI lower	95% CI upper	Approx. p	Decision
FO → FP → FV	0.0019	-0.0048	-0.0029	0.0123	-0.0330	0.0169	0.6701	Not supported
IO → FP → FV	0.0117	0.0047	0.0164	0.0083	-0.0012	0.0284	0.5121	Not supported
MO → FP → FV	-0.0024	0.0014	-0.0010	0.0034	-0.0033	0.0097	0.6605	Not supported

N = 198; 20 firms; 10,000 firm-cluster bootstrap replications; seed = 20260906. Direct = c′; indirect = a × b; total = c. Coefficients use the supplied variable scales. All six percentile confidence intervals contain zero.

Financial performance is therefore not supported as a mediator in the specified pooled models. A significant total association is not required to test mediation, and separate path p-values are not used in place of the indirect-effect confidence interval. Approximate p = min [1, 2 × min ((number of bootstrap estimates ≤ 0 + 1)/(10,001), (number ≥ 0 + 1)/ (10,001))]. This is a descriptive bootstrap sign-tail measure. Hypothesis decisions use confidence intervals.

The result of the hypothesis tests related to the correlation between ownership structure, financial performance, intellectual capital and firm value is summarized in table 11. Results show that none of the hypothesized direct relationships are statistically supported. Specifically, foreign ownership, institutional ownership or managerial ownership is not significantly associated with intellectual capital (H1-H3), firm value (H4-H6), or financial performance (H7-H9). The same applies to financial performance, with a p value for all the corresponding hypotheses larger than the 5% significance level and with the 95% confidence intervals containing the null value. The bootstrap mediation analysis also did not yield any statistically significant indirect effects. For all six indirect relationships (H12–H17), the 95% bootstrapped confidence intervals included zero, meaning that financial performance was not significant mediators of the other relationships between ownership structure and intellectual capital and firm value. Thus, none of the proposed mediation hypotheses is supported. In general, the findings indicate that hypothesized ownership, financial performance and mediation relationships are not supported statistically in the estimated models. Such findings should not be construed as "no" evidence of the proposed relationships but rather as an insufficient statistical sample for the proposed relationships.

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5: Implication, Limitations and Recommendations for Future Research

5.1 Implication

The findings will have a significant impact on corporate managers, investors, and policy makers in Pakistan. The conclusions of the current study expose that FO, IO and MO have no significant effect on the intellectual capital, value and financial performance of the corporation, thus indicating that ownership is not enough to explain value creation of the company. This means that the managers should consider more than just the firm-specific factors, governance, institutional and market-related factors when they are designing strategies for working out the improvement of IC and FV. The findings suggest that ownership composition should be considered along with other financial and organization related characteristics of an investor when determining his/her investment. Policymakers can also enhance the corporate governance and disclosure regime to promote greater value creation in PSX-listed companies.

5.2 Limitations

The study has some limitations which should be taken into consideration when interpretation the results of the study. First, the study uses data of just 20 companies listed on Pakistan Stock Exchange, and 198 firm-year observations from 2016–2025, which might hinder the generalizability of the findings. Secondly, the secondary data wa based on this study and collected from the financial statement and public sources. Thirdly, the measurement of IC and FV may not reflect all aspects of the constructs. Lastly, the analysis centers on foreign, institutional and managerial ownership and financial performance and other firm-specific, governance, institutional and market factors could also affect the value of the firm and intellectual

5.3 Recommendations for Future Research

For future research the following recommendations are put forward: A larger sample of PSX-listed companies and other industrial sectors should be used in further research to provide generalizability of findings. A longer period could also be used for research purposes, to account for variation in ownership patterns and market conditions. Others, including ownership and corporate governance variables, firm-specific, institutional, innovation and macroeconomic variables, should be included in future studies. There may also be other evidence, such as alternative indicators of IC, FP and FV. In addition, researchers in the future can benefit from using advanced panel-data techniques, longitudinal research and other mediation models to gain deeper insight into the relationships between the ownership structure, financial performance, intellectual capital and firm value.

5.4 Conclusion

Based on the outcomes of the analysis and discussions carried out, it is concluded by (1) IC has a high impact on firm value, which means that IC is influential and relevant in the context of enhancing the value of the commercial banks in Pakistan. (2) The outcomes of the regression show that IC does not have a significant effect on financial performance, which in this study is that the commercial bank has not been able to manage and develop its intellectual property optimally. (3) The results show that the association between the IC and CA is strong, positive and statistically significant. The outcome shows that intellectual capital is a strategic resource that plays an important role in enhancing the competitive position of the banks. Based on the discussion, financial performance does not appear to be a key determinant of the value of banks. (4) The result implies that although there is an improvement in financial performance, the gains may not necessarily translate to high bank value in the sampled

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situation possibly due to inefficiencies in the market or investor perceptions. (5) The results suggest that the firm's value is statistically significant with competitive advantage. This implies that competitive positioning has considerable impact on firm value though the negative value might be due to industry specific phenomenon or measurement scale. (6) The results show that the indirect effect on the value of a firm through the financial performance by intellectual capital is very small and positive. This observation implies that though financial performance or firm value might be subjected to intellectual capital without the other, financial performance is not a significant channel of transmission of IC on FV in the sampled firms. (7) The mediation analysis also shows that the indirect effect of IC on the FV via competitive advantage is negative. Although it is observed that intellectual capital and competitive advantage have a strong positive direct relationship as seen above, competitive advantage is not significant in mediating the influence of IC on the FV.

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