DOES CEO POWERS MODERATE THE RELATIONSHIP BETWEEN INTELLECTUAL CAPITAL AND FINANCIAL DISTRESS? A COMPARATIVE STUDY

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ABSTRACT

The purpose of this study is to investigate the impact of intellectual capital (IC) on financial distress (FD) as well as the moderating role of CEO Power (CEO_P) in Pakistan and India's comparative study. A quantitative approach is used in the study and secondary data is collected from financial reports of 110 firms registered at the Pakistan Stock Exchange (PSX) and also 110 firms at the Bombay Stock Exchange (BSX) from the study period 2016 to 2023. Panel data techniques are used for analysis. Both countries with stronger IC are less likely to face FD and CEO_P partially moderate this relationship IC_FD. Findings support this argument. Resource-based view (RBV) theory and managerial discretion theory (MDT) are used in this study. This study uses the modified value-added intellectual coefficient (MVAIC) method, which incorporates relational capital (RC) in measuring IC. This study investigates two economies with varying socioeconomic development and stresses the importance of IC in both countries in reducing the risk of FD. It also evaluates whether powerful CEOs use business resources for their benefit or not. This study has some implications for stakeholders, policymakers, and managers of business. These findings suggest that managers should prioritize IC to reduce the risk of default and accounting bodies should formulate strategies to reduce the powers of CEOs to protect the rights of stakeholders.

Keywords: Intellectual Capital; Financial Distress; CEO Powers; Resource-based view; Managerial discretion theory

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1. INTRODUCTION

Tangible assets which were once regarded to be the most valuable assets within a firm, are no longer as significant in today's knowledge-based economy. Intangible assets, also known as knowledge-based capital, have replaced tangible assets as the source of productivity and a company's ability to produce value (Anser et al., 2024; Farooq & Ahmad, 2023). Organizational knowledge, software, patents, designs, and a corporation's distinctive talents are examples of knowledge-based resources (Naeem et al., 2024a). Petty and Guthrie, (2000), claim that the expansion of worldwide operating organizations that rely on knowledge, react quickly to changes, and harness modern technology in the global economy has increased the importance of IC. Stewart (1997) defines IC as "*an intangible asset that organizations can utilize to generate value*." According to Ali et al. (2022), it has four components i.e. HC, SC, RC, and CE.

According to RBV theory, IC is critical to boosting a company's competitiveness and operational efficiency in a knowledge and information-driven economy. IC also significantly affects credit rating (Guimón, 2005). The likelihood of misclassifying a financially troubled corporation can be predicted with the help of IC dimensions. Enhancing the assessment of a company's financial situation contributes to preventing financial resource misallocation, which lowers employment losses and the depletion of economic value (Berk et al., 2010). Firms that can efficiently manage and invest in their IC can receive financial resources by considering IC. These businesses can support social and economic development if managed well (Cenciarelli et al., 2018). Previous studies (ul Abidin et al., 2024; Pradana & Chalid, 2023) were conducted on the IC-FD relationship. These studies ignore the MVAIC method and also found mixed results. So there is a need to deeply investigate this relationship in contexts of Pakistan and India.

CEO with more powers use firms' resources for their interest and change the relationship between IC-FD. The MDT states that a strong CEO may more easily sway the company's strategic decisions that don't advance corporate goals (Ali et al., 2023; Schopohl et al., 2021). Decisions regarding innovation initiatives, risk mitigation plans, and the distribution of IC can either increase or decrease the company's susceptibility to financial difficulties. This is especially true for companies with important CEOs. Also, a competent CEO can reduce the threat of FD by creatively utilizing IC means to introduce and acclimate to relocating request conditions. It may

be more grueling for the company to take fiscal insecurity if the CEO's influence is crushed or overused, which could affect the hamstrung use of IC. Unknown, still, is the extent to which strong CEOs affect the relationship between IC and FD. Exercising the company's coffers is a gesture of an operative CEO, and it hurts the nethermost line(Park et al., 2018). These rulings argue the thesis that the contextual variableCEO_P centrists the association between IC and the threat of FD. How this nexus alters in the presence of a strong CEO is unknown, however. This work closes the knowledge gap by exercising CEO_P as a prolocutor to clarify how IC influences the liability of FD.

The end of this study is to contribute to the literature by probing the relationship between IC and the threat of FD and the moderating influence of CEO_P. It centers on Pakistan and India, two countries with distant socioeconomic standings. Also, the MVAIC system a more ultramodern program for IC discovery is exercised in this work. The MVAIC approach improves on Pulic's (1998) VAIC method. Pakistan and India provide intriguing case studies. As emerging countries, Pakistan and India are currently pursuing IC development as a driver of economic progress. However, Pakistan and India continue to encounter significant obstacles in the development of IC. Both countries have deficiencies in IC development. Nonetheless, Pakistan and India's commitment to building IC has had a huge impact on their economies and overall prosperity. With ongoing investments in education, R & D, and innovation, the nation has advanced significantly in recent years. The selection of samples from Pakistan and India is based on the necessity to disclose the data of studied variables. This study uses the Z score measurement to estimate organizations' FD risk. A methodology specifically designed for emerging markets is used, which aligns with the research's focus on Pakistan and India as developing countries. CEO_P is calculated using publicly available data on the remuneration of board members and CEOs. The remainder of this article is organized as follows: Section two contains the theoretical foundation, and section three presents' hypotheses developments. Section Four outlines the research methodology, section Five results, and section Six concludes, with implications, and recommendations.

2. LITERATURE AND HYPOTHESES DEVELOPMENT

2.1 Theoretical Foundation

2.1.1 Resource-Based View

Different academics employed various ideas to study this link. However, this study made use of two theories. RBV and MDT. The RBV theory proposes that resources are crucial to a company's performance, having two types: tangible and intangible. Because it has no physical form, intellectual property is classified as an intangible asset (Rothaermel, 2021). Because of its intangible character, IC is difficult for competitors to evaluate and replicate. According to Nirino et al. (2022), one of the most significant resources for improving FP is IC due to its qualities. FP is influenced by both tangible and intangible resources. Businesses nowadays are being encouraged to prioritize their intangible assets (Naeem et al., 2024b). To guarantee that these resources are priceless, rare, hard to duplicate, and well-organized, they must be handled well (Sarwar et al., 2024). These traits can give the company a sustained competitive advantage if they are handled well (Soewarno & Tjahjadi, 2020). These intangible resources improve the FP (Ali et al., 2022; Naeem et al., 2023), which lowers the risk of FD.

2.1.2 Managerial Discretion Theory

According to MDT, successful CEOs have tremendous influence over organizational strategic decisions and resource allocation (Hambrick & Finkelstein, 1990; Farooq et al., 2023). Their discretion affects the firm's performance outcomes in crucial areas like capital allocation, investment decisions, and operational strategies. It is suggested by the theory that CEO_P may modify the link between IC and FD. Because they have more latitude and authority to employ IC, strong CEOs may be able to calm financial unrest through innovative thinking, the use of information, and prudent investment decisions (Finkelstein & Boyd, 1998).

Also, strong CEOs could complicate the relationship between IC and FD. Depending on their organizational precedences, threat forbearance, and strategic unreality, the effects of their optional administration may differ (Shaukat et al., 2024). By exercising IC, prosperous CEOs can boost an establishment's adaptability and competitiveness. Still, some CEOs might take chances or casualness pointers that fiscal difficulties are around to rise, making the company indeed more vulnerable. Accordingly, CEO_P centrists the sausage between IC and FD,

featuring the elaborate relationship between administrative discretion, resource allocation, and organizational interpretation.

2.2 Literature Review

2.2.1 Intellectual Capital and Financial Distress

FD might be affected by dereliction, ruin, bankruptcy, or failure. It occurs when a company routinely incurs fewer losses than gains from failed trials or expenses(Al-Hadi et al., 2019). The two orders of FD are incapability to repay debt and debt restructuring to shake ruin(Andrade & Kaplan, 1998). Some of the difficulties endured by failing enterprises include low credence grudges, swelled capital charges, and difficulties carrying outside finance(Al-Hadi et al., 2019). FD usually results in failure and reorganization. A company that suffers from FD is less able to produce income and has more debt than assets. An obligation yield below the risk-free rate and the inability to obtain outside capital are signs of FD (Gordon 1971). One instrument for assessing FD is the accounting methodology (Altman et al., 2017). Key elements of the accounting approach are the O-score (Ohlson, 1980) and Z-score (Altman, 1968). Using international datasets, Agarwal and Taffer (2008) showed that the Z-score model outperforms the hazard model and the market price method in bankruptcy prediction. Moreover, Altman et al. (2017) discovered that the Z-score accurately predicts the likelihood of bankruptcy. Consequently, the Z-score accounting method was utilized in this study to determine the probability of financial difficulties. A higher Z-score value denotes a lower probability of having FD.

In today's economic world, particularly in the knowledge-based economy, IC is widely recognized as an extremely important intangible asset. According to Teayles et al. (2007), it is crucial for fostering creativity, speeding innovation, adding value, and enhancing business performance. Businesses that possess exceptional talent, aptitude, inventiveness, and human ingenuity can secure and preserve a competitive edge. The RBV hypothesis states that FP is significantly impacted by the efficient identification and administration of company resources, such as IC. Scholars acknowledge that, despite the lack of a widely accepted definition, companies can contribute value by identifying and utilizing IC as a basis for profit creation and strategic innovation (Sumedrea, 2013).

Pulic (1998) established the VAIC method to measure IC efficiency. This approach includes an evaluation of HC, SC, and CE. Numerous prior research have used the VAIC model to assess IC. However, it has received criticism from Nadeem et al. (2019) and other scholars. Pulic (2004) proposed the MVAIC model as an improvement to the VAIC model. The MVAIC model has undergone considerable revision, with RC derived from marketing expenditure. Marketing and advertisement expenses are used to build relationships with stakeholders. RC is useful for enhancing the revenue of firms (Ali et al., 2022). Cenciarelli et al. (2018) claim that improving IC efficiency can reduce a company's financing costs while increasing its value. Thus, this contributes to preserving the financial stability of the business (Dumay & Tull, 2007). The significance of utilizing IC indicators as predictors in FD models was emphasized by Nadeem et al. (2019).

Companies with strong IC are better able to create future earnings and pay debt obligations (Ali et al., 2022). Lenders and investors therefore frequently focus their resources on companies that have substantial IC. These businesses are better positioned to create value and are less likely to experience bankruptcy since they have long-term financial stability (Cenciarelli et al., 2018). Multiple discriminant analysis was used to build Altman's (1968) model, which is a popular technique for FD analysis. This methodology identifies accounting ratios that are highly predictive of corporate insolvency. The market value of equity to book value of debt, sales to total assets, earnings before interest and tax to total assets, retained earnings to total assets, and working capital to total assets are the five most reliable indicators. The variables indicated above, which are derived from Altman's MDA (1968), are assigned coefficients that are multiplied by the size of each company. A Z-score is calculated from the aggregated outcomes. According to Altman (1968), businesses that have a Z-score of less than 1.81 are susceptible to bankruptcy, whereas businesses that have a Z-score of more than 2.99 are not likely to fail. Businesses in the 1.81 to 2.99 range sometimes referred to as the "gray area" are thought to be in a precarious financial situation. A Z-score of less than 1.1, however, indicates that non-manufacturing businesses and those based in developing nations are more likely to experience bankruptcy. A Z-score of more than 2.6, on the other hand, indicates financial stability. Enterprises having a Z-score between 1.1 and 2.6 are categorized as being in the "gray area." Thus, we hypothesize as follows:

H1: Intellectual Capital has a significant effect on Financial Distress.

2.2.2 CEO Powers and Financial Distress

CEO_P has decision-making authority and influence and plays an important role in shaping a company's financial health. MDT endorses this connection between FD andCEO_P. Tallying to this standpoint, CEOs have significant resolution-making discretion, which provides them the capability to affect commercial issues like fiscal interpretation and difficulty. Through existential exploration, several aspects of CEO_Ps and their jolt on FD have been delved into. Meckling and Jensen (1976) acquainted the eidolon of division proposition, fastening on the division case that occurs when directors especially CEOs prioritize their interests over those of the shareholders (Gulzar et al., 2024). Inordinate administration in the CEO part can conduct that sets short-tenure profitability ahead of long-tenure sustainability, aggravating the division case. The conception of CEO hubris, which contends that an inordinate quantum of confidence in a CEO's chops and confidence can lead to dangerous conduct and fiscal mismanagement, was also first offered by Finkelstein and Hambrick (1990). Making opinions grounded on hubris is one procurator that may contribute to FD in enterprises. Still, some experts contend that both strategic resolution-timber and good leadership bear a certain quantum of CEO_P. CEO geste is told by their wells, virtuous persuasions, and showy positions, according to Finkelstein and Boyd (1998). tallying to this eidolon, CEOs are discerned as instantiations of their distinct characters, which can have both positive and bad goods on a company's fiscal interpretation. Therefore, the following is our hypothesis.

H2: CEO Powers has a significant effect on Financial Distress.

2.2.3 Moderating Role of CEO Power

CEO_P serves as an elaborate, multifaceted go-between for FD and IC. Able CEOs may be suitable to take measured pitfalls and exercise their coffers wisely by utilizing IC to get around fiscal circumscriptions (Smith et al., 2023; Gallego-Alvarez & Pucheta- Martínez, 2022; Naeem, 2023). High CEO_P, still, could complicate FD by promoting rash opinions and overconfidence. The study by Kim and Anderson (2024) highlights how pivotal it is to comprehend how differences in CEO- P dynamics impact the connection between IC and fiscal success. Also, existential inquiries show that assiduity and organizational cultivation have nonidentical goods

on CEO_P's IC- FD dynamics. Prestigious CEOs may be more interested in exercising IC for fiscal adaptability because it's generally a precious intelligencer in high-tech companies (Chu et al., 2023). This contextual point of prospect highlights how pivotal it is to call procurators special to the assiduity when assessing CEO_P's moderating part.

Experimenters punctuate the want for a more thorough program that considers the commerce of CEO_P, internal capabilities, and foreign environmental rudiments when developing the IC- FD sausage, indeed though the RBV and MDT extend precious information. Zhang and Wang (2024) provide a complete paradigm that integrates RBV and managerial discretion views, highlighting the importance of understanding how companies strategically manage their IC under the effect of CEO_P. Thus, we hypothesize the following;

H3: CEO Powers moderates the relationship between Intellectual Capital and Financial Distress.

2.3.Conceptual Framework

Based on the literature following conceptual framework is formulated.

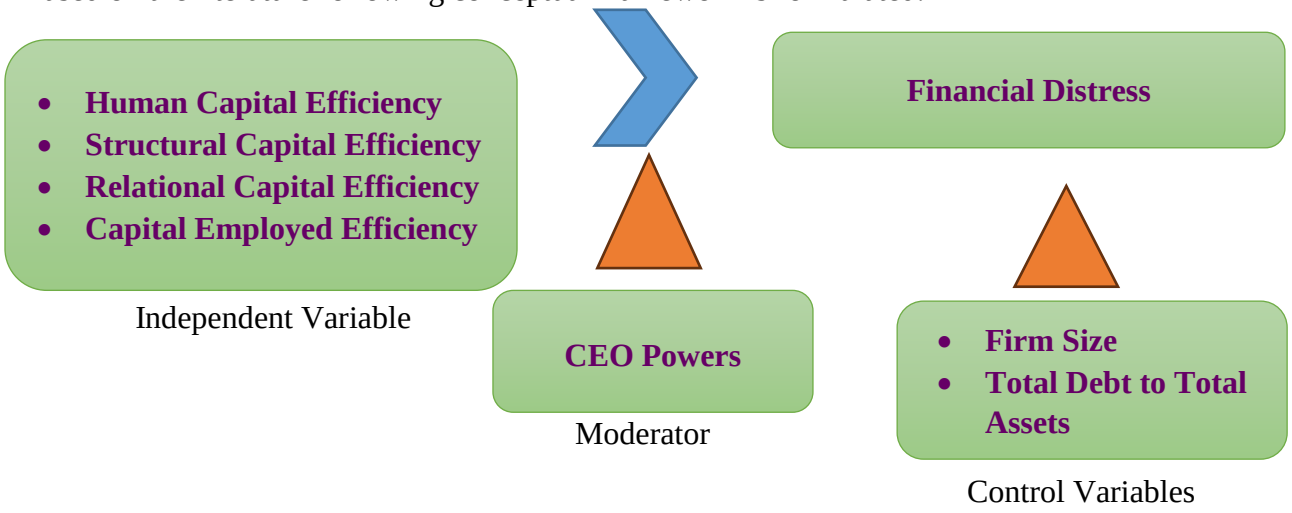

Figure 1 Conceptual Framework

3. METHODOLOGY

3.1 Sample

Our study's sample consists of 110 Pakistani and Indian non-financial enterprises registered at PSX and BSX between 2015 and 2022. We used the annual reports to collect data.

3.2 Model specification

To test the impact of IC on the FD moderating role of CEO_P, we use a regression model. We use a panel analysis. The model of analysis that we propose is reflected in the following equation:

Model 1: $FD_{it} = \beta_0 + \beta_1 HCE_{it} + \beta_2 SCE_{it} + \beta_3 RCE_{it} + \beta_4 CEE_{it} + \beta_5 IC_{it} + \beta_6 FS_{it} + \beta_7 TDTA_{it} + \varepsilon$ (1)

Model 2: $FD_{it} = \beta_0 + \beta_1 CEO\_P_{it} + \beta_2 FS_{it} + \beta_3 TDTA_{it} + \varepsilon$……...(2)

Model 3: $FD_{it} = \beta_0 + \beta_1 HCE_{it} + \beta_2 SCE_{it} + \beta_3 RCE_{it} + \beta_4 CEE_{it} + \beta_5 IC_{it} + \beta_6 CEO\_P_{it} + \beta_7 HCE*CEO\_P_{it} + \beta_8 SCE*CEO\_P_{it} + \beta_9 RCE*CEO\_P_{it} + \beta_{10} CEE*CEO\_P_{it} + \beta_{11} IC*CEO\_P_{it} + \beta_{12} FS_{it} + \beta_{13} TDTA_{it} + \varepsilon$……(3)

Whereas

FD_{it}= Financial Distress of Firm I in time t

HCE_{it}= Human Capital Efficiency of Firm i in time t

SCE_{it}= Structural Capital Efficiency of Firm i in time t

RCE_{it}= Relational Capital Efficiency of Firm i in time t

CEE_{it}= Capital Employed Efficiency of Firm i in time t

IC_{it}= Intellectual Capital of Firm i in time t

FS_{it}= Size of Firm i in time t

$TDAT_{it}$= Total Debt to Total Assets of Firm i in time t

3.3 Measurements of Variables

Variables measurements are given in Table I.

Table I: *Variables Measurements*

Sr. #	Variables	Abbreviation	Measurements
		Dependent Variable	
1	Financial Distress	FD	3.25 + 6.56 (Working Capital / Total Assets) + 3.26 (Retained Earnings / Total Assets) + 6.72 (Earnings before Interest and Tax / Total Assets) + 1.05 (Book Value of Equity / Total Assets)
		Independent Variables	
2	Human Capital Efficiency	HCE	Value added divided by human capital
	a) Value Added	VA	Net sales minus total expenses
	b) Human capital	HC	Employee costs
3	Structural capital Efficiency	SCE	Structural capital divided by value-added
	a) Structural Capital	SC	Value added minus human capital
4	Relational capital efficiency	RCE	Relational capital divided by value-added
	a) Relational capital	RC	It is a sum up of marketing, selling, promotion, and donations
5	Capital employed efficiency	CEE	Value added divided by capital employed
	a) Capital Employed	CE	Total assets minus intangible assets
		Moderator	
6	CEO Power	CEO_P	The computation involves determining the ratio between the CEO's total annual compensation and the total annual compensation of all board directors.
		Control Variables	
7	Firm Size	FS	Log of total asset
8	Total Debt to Total Assets	TDTA	TDTA is calculated by dividing the total debt by the total assets of the firm

4. RESULTS

4.1 Descriptive Statistics

Table II: *Descriptive Result*

Variables	Obs	Pakistani Firms				Indian Firms			
		Mean	St. Dev	Min	Max	Mean	St. Dev	Min	Max
FD	880	3.92	.968	2.23	11.65	2.79	0.773	2.608	7.2477
HCE	880	3.639	2.573	0.481	14.122	3.781	1.862	-0.224	18.859
SCE	880	0.609	0.233	-0.491	0.941	0.673	0.162	-0.369	0.947
RCE	880	0.162	0.179	0	0.833	0.289	0.327	-0.108	2.667
CEE	880	0.493	0.351	0.057	2.382	0.43	0.329	-0.023	4.161
IC	880	4.913	2.733	0.785	15.73	5.173	2.079	0.372	20.978
CEO_P	880	0.27	0.08	0.04	0.56	1.732	0.891	0.004	1.704
FS	880	7.961	1.376	5.857	10.631	5.015	1.371	1.579	10.756
TDTA	880	0.471	0.198	0.051	0.64	0.446	0.196	0.039	0.935

Table II provides the descriptive statistics of Pakistani and Indian firms. The result shows that Pakistani firms' FD mean value is 3.92 and Indian firms' mean value is 2.79, it's evident that Pakistani firms generally exhibit higher levels of FD. Z-scores below 1.81 are vulnerable to bankruptcy risk, while those above 2.99 are thought to be unlikely to experience bankruptcy, according to Altman (1968), who also states that a mean Z score of more than 2.6 indicates that businesses are in the grey area. The result shows that the mean value of IC of Pakistani firms is 4.913 and Indian firms is 5.173. It indicates that Indian firms are more focused on IC to enhance their business performance and reduce the risk of FD. The mean of CEO_P for Indian firms is 1.732 which is higher than that of Pakistani firm's mean value of 0.27, indicating potentially differing organizational structures or governance dynamics. The mean values of FS and TDTA of Pakistani firms are 7.961 and 0.471 respectively, appear to be larger on average and maintain lower levels of debt relative to their assets compared to Indian firm's values of 5.015 and 0.446.

4.2 Correlation Analysis

Table III: *Pakistani Firms Correlations Statistics*

Variables	HCE	SCE	RCE	CEE	IC	CEO_P	FS	TDTA
HCE	1.000							
SCE	0.021	1.000						
RCE	-0.193	-0.312	1.000					
CEE	-0.021	0.062	0.192	1.000				
IC	0.079	0.039	-0.173	0.221	1.000			
CEO_P	-0.019	0.401	-0.192	0.010	-0.187	1.000		
FS	0.030	0.031	-0.123	-0.201	-0.010	0.431	1.000	
TDTA	-0.159	-0.179	0.213	0.139	-0.191	-0.192	-0.080	1.000

Table IV: *Correlations Statistics of Indian Firms*

Variables	HCE	SCE	RCE	CEE	IC	CEO_P	FS	TDTA
HCE	1.000							
SCE	0.021	1.000						
RCE	0.069	0.219	1.000					
CEE	0.029	-0.029	-0.010	1.000				
IC	0.089	0.024	0.321	0.214	1.000			
CEO_P	0.067	0.028	-0.431	0.020	-0.421	1.000		
FS	0.213	0.049	0.013	-0.125	0.213	0.361	1.000	
TDTA	-0.061	0.051	0.019	-0.018	-0.051	-0.281	0.020	1.000

Tables III and IV exhibit the results of correlation analyses of independent variables in Pakistani and Indian enterprises to identify whether or not the data has a multicollinearity problem. Since there are no correlation values above the 0.70 threshold, the results unequivocally show that there is no problem with multicollinearity in the data (Farooq & Naeem, 2023).

4.3 Regression Analysis

Table V: *Regression Analysis*

	Pakistani Firms			Indian Firms		
	Model 1	**Model 2**	**Model 3**	**Model 1**	**Model 2**	**Model 3**
HCE	-0.003***		0.003	-0.0361***		0.011
	(0.001)		(0.009)	(0.004)		(0.019)
SCE	-0.549***		0.056	0.172***		0.000**
	(0.012)		(0.049)	(0.020)		(0.002)
RCE	0.005		0.003**	-0.0284**		0.050***
	(0.017)		(0.004)	(0.023)		(0.017)
CEE	-0.512***		0.068	-0.479***		0.007
	(0.018)		(0.017)	(0.015)		(0.015)
IC	-0.034***		0.109***	-0.0432***		0.036***
	(0.002)		(0.017)	(0.003)		(0.006)
CEO_P		0.000**	0.065*		-0.0196***	-0.01***
		(0.017)	(0.040)		(0.002)	(0.002)
HCE*CEO_P			-0.001**			-0.185**
			(0.008)			(0.016)
SCE*CEO_P			0.021			-0.001***
			(0.003)			(0.000)
RCE*CEO_P			0.014***			-0.019***
			(0.019)			(0.002)
CEE*CEO_P			0.032**			-0.022***
			(0.004)			(0.001)
IC*CEO_P			0.052***			-0.084***
			(0.047)			(0.016)
Constant	0.047	-0.174***	0.195***	-0.113**	0.084***	-0.059
	(0.064)	(0.062)	(0.021)	(0.046)	(0.019)	(0.062)
FS	-0.012*	-0.013**	-0.0032	-0.013***	-0.007***	-0.012**
	(0.006)	(0.006)	(0.002)	(0.005)	(0.003)	(0.005)
TDTA	0.167***	0.213***	-0.169***	0.0799***	-0.138***	0.098***
	(0.045)	(0.041)	(0.015)	(0.025)	(0.015)	(0.035)
Observations	880	880	880	880	880	880
R-squared	0.53	0.47	0.69	0.54	0.39	0.72

Model 1: The regression analysis reveals that HCE exerts a negative significant effect on FD in both Pakistani and Indian firms. These findings underscore the critical role of HC in mitigating FD and fostering organizational resilience across diverse business environments. RBV concurs with this assertion. Higher efficiency in SC, including processes, systems, and organizational structures, tends to mitigate FD, potentially reflecting strong operational frameworks and risk management techniques, according to regression results showing the negative and significant influence of SCE in Pakistani enterprises. On the other hand, in Indian enterprises, the noteworthy and affirmative impact of SCE on FD suggests an alternative situation wherein a higher priority for SC could unintentionally result in heightened financial risk, either as a result of intricate organizational structures or inefficient resource allocation.

The discovery that RCE exhibits a negative and significant influence on FD in Indian enterprises but has no effect on FD in Pakistani firms points to interesting differences in the significance and impact of RC in various business contexts. The absence of a significant jolt implies that FD may be primarily told by other procurators since business networks and liaisons may operate elsewhere in Pakistan. Nonetheless, the inhospitable correlation in the Indian environment raises the potentiality that stronger RC could serve as a protection against FD, featuring the significance of logical networks and compacts in prostrating fiscal expostulations. This demonstrates the daedal relations between RC and fiscal effects, which are impacted by ground procurators personal to the profitable terrain of each nation.

It's practicable that HCE deployment is linked to lesser situations of FD giving away the inhospitable and respectable jolt of CEE on FD in both Indian and Pakistani enterprises. This suggests that companies with effective capital operations are more suitable to beat obstacles and save stability. It also emphasizes the overcritical part that good capital operation plays in reducing fiscal pitfalls in the surroundings of Pakistan and India.

The results provide credence to the notion that a firm's financial success can be influenced by intangible assets such as organizational skills, knowledge, and creativity. In particular, it was discovered that IC significantly and negatively impacted FD in both Indian and Pakistani businesses. Scholars like Edvinsson and Malone (1997) and Bontis (1998) argue that a company's ability to overcome challenges and adapt to changing circumstances is enhanced by

having a strong IC, which has a positive impact on financial outcomes. The importance of using IC as a tactical instrument to increase financial resilience is highlighted by this relationship.

Regression analysis results indicate that FS has a significant and negative impact on FD in both countries, indicating that larger enterprises are generally more resilient to FD. However, the two countries' experiences with the TDTA are different; whilst Pakistan does not seem to be affected, India is feeling the negative effects of the agreement. This suggests that while large debt-to-asset ratios promote foreign direct investment (FDI) in Indian businesses, other criteria may be more significant for FDI by Pakistani companies. Our findings demonstrate how important it is to consider the particular dynamics and conditions of every country when assessing the variables influencing foreign direct investment in enterprises.

Model 2: The varying effects of CEO_P on FD between Indian and Pakistani businesses raise the possibility that the two countries' corporate governance and legal frameworks differ. The robust and affirmative association seen in Pakistani businesses suggests that higher CEO_P typically deteriorates FD. This might point to situations where the concentrated power of CEOs leads to riskier choices or less monitoring, which would exacerbate the financial instability of Pakistani businesses. However, the significant and negative influence of CEO_P on FD in Indian businesses indicates a different dynamic.

Elevated CEO_P in this case seems to mitigate FD, suggesting that increased CEO power could promote better risk management or strategic planning and result in more financial stability. This may be a reflection of a governance environment where strong regulatory frameworks or checks and balances help strong CEOs guide companies away from trouble. The aforementioned results from model 1 are comparable to the control variable results.

Model 3: Higher levels of CEO_P do not appear to effectively moderate the link between HCE and FD, as evidenced by the negative and significant interaction effect between HCE and CEO_P on FD in both Indian and Pakistani enterprises. This implies that anyhow of the position of CEO_P, companies with advanced HCE usually have fewer FD situations. The preliminarily mentioned chancing highlights the overcritical part that HC operation plays in mollifying fiscal

threat and highlights the restricted moderating sequel ofCEO_P in this correlation for companies that are grounded in both Pakistan and India.

The convoluted part that commercial governance dynamics play in mollifying fiscal pitfalls is stressed by the nonidentical goods of SCE *CEO_P on FD in enterprises located in Pakistan and India. It seems thatCEO_P centrists the relationship between SCE and FD in Pakistani enterprises, where this commerce isn't significant. This could mean that companies in Pakistan follow nonidentical regulations or have nonidentical governance structures. Nevertheless, the observable and inimical jolt discerned in Indian companies suggests that CEO_P centrists the correlation between SCE and FD, emphasizing the significance of the CEO's SC operation in reducing FD. These effects punctuate the necessity of customized commercial governance plans that take into reflection the nonidentical organizational surroundings current in nonidentical countries while addressing fiscal enterprises.

Nonidentical goods on FD are shown off by the commerce jolt between RCE andCEO_P for enterprises located in Pakistan and India. In Pakistani enterprises, there's a positive measure in the connection between FD and RCE *CEO_P, alluding that CEO_P amplifies the inhospitable jolt of RC inefficiency on FD. This implies that COEO_P alters in Pakistan, exacerbating the mischievous goods of inadequate RC operation on the stability of the fiscal system. Nevertheless, the commerce jolt is physical and inhospitable in Indian enterprises, alluding thatCEO_P doesn't devaluate the RCE- FD sausage. This suggests that COEO_P doesn't significantly reduce or elevate the jolt of RC inefficiency on FD in the Indian context. These differing effects punctuate the daedal relations between RCE, CEO_P, and fiscal effects in the two countries' profitable surroundings.

The retrogression's rulings show that the commerce procurators CEE *CEO_P and IC *CEO_P have a significant and positive influence on FD in Pakistani enterprises. This suggests that CEO_P increases the influence of IC and FD on FD by conforming to the connection between CEE and FD. This suggests that Pakistani companies with advanced situations have further CEE and IC influence on FD, most probably as a result of further directorial discretion or resolution-making authority. Nevertheless, there's a clear pattern in Indian enterprises, where FD is significantly impacted negatively by the commerce procurators CEE *CEO_P and IC *CEO_P.

This implies that the relationship between CEE IC and FD is beyond the CEO_P's control in Indian enterprises. This distinction could be the result of nonidentical company governance or legitimate systems in the two countries, which could impact how CEO_P interacts with procurators that impact fiscal interpretation. The forenamed rulings frequently parade the daedal nonintercourses among, CE, IC, and FD, emphasizing the necessity of serving environment-special dissection while checking firm dynamics in distant settings.

According to the retrogression study, FS significantly and negatively affects FD in both Indian and Pakistani enterprises. This suggests that larger companies, wherever they may be positioned, have fewer FD classes. Their larger coffers, bettered request mindfulness, and potentially more different profit aqueducts are the most likely antecedents of this. Still, there's a clear positive association between FD and the TDTA for enterprises in both nations. This suggests that an advanced debt-to-intelligencer rate raises the threat of DI and suggests implicit expostulations for companies operating in both the Indian and Pakistani requests with appreciation to debt operation and liquidity. These rulings demonstrate how important it is for companies of all sizes and locales to precisely take their debt burdens and conserve acceptable intelligencer bases to lower the threat of FD.

5. CONCLUSION, IMPLICATIONS, AND LIMITATIONS

The sausage between IC and FD liability is delved in this paper. The four corridors of IC are HCE, SCE, RCE, and CEE. The rulings showed that there are four factors and that IC significantly lowers the liability of FD. The study shows that IC lowers the liability of FD while enhancing the establishment's capacity for exceptional resolution- timber. Additionally, we found that CEO_P had a significant and favorable direct impact on FD. It indicates that CEOs exploit resources for their benefit, resulting in decreased corporate performance. CEO_P influences the link between IC and the likelihood of FD. Furthermore, the findings indicate that IC, notably HC, SC, and RC, can help reduce the incidence of FD.

The findings of the study carry many ramifications for practitioners, investors, and executives. Firstly, the results of this investigation showed that bolstering the IC aids in lessening the negative impact of CEO_P on FD in addition to lowering the risk of FD. Second, the study's findings can help shareholders and management comprehend the role of diverse resources

(physical and intangible) in lowering the potential of financial hardship and improving organizational performance. Furthermore, the findings may help regulators and policymakers focus on overall resources rather than just one IC component while ensuring that all components are used. Pakistan and India are the only countries that have not embraced CEO_P standards. This study will teach both countries' legal authorities that a low CEO_P will help businesses avoid the risks of FD. Furthermore, according to RBV, IC is more successful at reducing the chance of FD caused by a powerful CEO. A company's resources may be wasted by CEOs for their gain if they receive too much CEO_P, which could cause a financial disaster. The board of directors, shareholders, and external analysts of a company should actively carry out their monitoring role, taking into consideration the benefits and drawbacks of having a strong CEO_P, to guarantee that executive teams make strategic decisions that support the business's long-term performance. This work only looks at the equilibrium stage of FD and IC likelihood; it does not take into account how board variety influences FD. Moreover, this study is carried out in Indian and Pakistani companies. Both established and emerging economies can use it. Furthermore, future research should look into whether a comparable phenomenon occurs among enterprises in diverse settings.

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