International Journal of Financial, Administrative, and Economic Sciences (IJFAES)
Vol. (4), No. (12)
IJFAES
December 2025
المجلة الدولية للعلوم المالية والإدارية والاقتصادية
الإصدار (4)، العدد (12)

The Mediating Role of Managerial Efficiency in the Relationship between Corporate Financial Characteristics and Market Value: An Empirical Study of a Sample of Iraqi Banks

Mohammed Hamid Majeed
College of Administration& Economics, University of Samarra, Iraq
mohammed.hamid@uosamarra.edu.iq

Abstract

The research aimed to explore the mediating role of managerial efficiency on the relationship between the company's financial characteristics and its market value in a sample of 10 Iraqi banks listed on the Iraq Stock Exchange for the period from 2013 to 2023. It relied on the descriptive analytical approach and the manual content analysis method to measure the variables. The research concluded that there is a significant positive effect of bank size, profitability, and financial leverage on market value. The research also concluded that the mediation of managerial efficiency does not affect the relationship between the company's financial characteristics and its market value.

Keywords: Managerial Efficiency, Financial Characteristics, Market Value.

1- Introduction

The market value of a firm is considered one of the most important indicators attracting the attention of investors and financial analysts, as it reflects market expectations regarding the firm’s future performance and the ability of its management to maximize shareholder value (Samara & Abu Nassar, 2023). Firm value is also regarded as a motivating factor for investors to engage with a company, which drives corporate management to seek to maximize this value as much as

possible. However, market value is influenced by several factors, most notably a firm's financial characteristics, such as profitability, liquidity, and financial leverage, which play a pivotal role in guiding investment decisions and achieving expected returns (Karaca & Savsar, 2012).

decisions, as managerial quality directly affects financial performance and corporate reputation and is positively reflected in stock prices and shareholders' equity (Firdaus et al., 2020). From this perspective, managerial efficiency represents one of the fundamental factors in improving the use of available resources, maximizing productivity, and enhancing profitability. Empirical studies have demonstrated a positive relationship between managerial ability and resource-use efficiency, which is reflected in the quality of investment decisions and directly influences a firm's market value (Marqos, 2023).

Despite the importance of previous studies that have examined the relationship between financial characteristics and market value (Chabachib, 2020; Eriotis, 2007; Hussein, 2023; Mohammed, 2024), the mediating role of managerial efficiency has not been sufficiently investigated, particularly in the context of Iraqi banks, which are characterized by unique economic, financial, and banking challenges. Accordingly, this study seeks to explore the mediating role of managerial efficiency in the relationship between financial characteristics (firm size, liquidity, profitability, financial leverage) and firm value. The aim is to provide a deeper understanding of how effective management contributes to transforming financial resources into higher market value and to support decision-making processes for investors and financial managers. Therefore, the research gap lies in the limited number of studies that have examined this relationship comprehensively within Iraqi banks, which this study attempts to address.

2- Research Problem

Despite the importance of market value in evaluating corporate performance and

attracting investors, understanding the factors that influence it—particularly financial characteristics—remains limited in certain economic environments, such as the Iraqi banking sector, which faces distinctive financial and regulatory challenges. Previous studies indicate that a firm's financial characteristics, including profitability, liquidity, financial leverage, and firm size, play an important role in determining market value. However, these studies have not sufficiently addressed managerial efficiency as a factor that may mediate the relationship between financial characteristics and market value (Marqos, 2023; Firdaus et al., 2020).

Accordingly, the research gap emerges from the need to examine the extent to which financial characteristics affect market value when managerial efficiency is introduced as a mediating variable, particularly in the Iraqi banking sector. This is essential to understanding how effective management can enhance banks' ability to utilize financial resources efficiently and achieve superior financial performance. This study aims to bridge this gap by addressing the following research questions:

- Is there a statistically significant effect of a firm's financial characteristics on its market value?
- Is there a statistically significant effect of a firm's financial characteristics on managerial efficiency?
- Is there a statistically significant effect of managerial efficiency on a firm's market value?
- Does the effect of a firm's financial characteristics on its market value increase when managerial efficiency acts as a mediating variable?

3- Previous Studies and Hypotheses Development

The following section reviews empirical and theoretical studies for each financial characteristic and formulates the corresponding hypotheses.

The relationship between company characteristics, managerial efficiency, and

market value is based on a range of theories. According to agency theory, incentives and financial structure influence managerial behavior and opportunistic risk (Jensen & Mickleng, 1976). According to resource theory, managerial efficiency is an intangible asset used to achieve competitive advantage (Barney, 1991). And according to signaling theory, efficient management sends positive signals to users by communicating the quality of performance (Spence, 1973). These theories, along with other literature, form the basis for understanding the relationship between a company's financial characteristics and market value by mediating managerial efficiency as a factor influencing this relationship. Numerous studies have examined the impact of a firm's financial characteristics on its market value.

Firm Size: Firms are commonly classified as large, medium, or small. Large firms, particularly joint-stock companies, are characterized by the substantial scale of their economic transactions in financial markets. Firm size is typically measured using the natural logarithm of total assets (Othman, 2022). A larger firm size indicates growth, which tends to elicit a strong response from investors and, consequently, leads to an increase in firm value. As total assets and overall sales increase, firm size expands accordingly. Larger firms also face fewer constraints in accessing financing, whether internal or external. It is generally assumed that large firms exhibit greater sensitivity and a higher capacity for wealth creation compared to smaller firms. Moreover, higher sales volumes enable firms to generate cash flows more rapidly. Therefore, firm size reflects the scale or value of the assets owned by the firm and plays a significant role in influencing its market value (Hirdinis, 2019,).

Empirical evidence regarding the effect of firm size on market value remains inconclusive. Some studies report no significant relationship between firm size and market value (Setiadharma & Machali, 2017; Hirdinis, 2019), whereas other studies provide evidence of a statistically significant positive effect of firm size on firm market value (Daromes, 2022; Mohamed, 2023).

H1: Firm size has a positive effect on firm market value.

Firm Profitability: Profitability is considered a key indicator for measuring and evaluating a firm's ability to generate earnings from its operations. The level of profitability serves as a signal issued by the firm to attract investor attention. Higher profitability tends to increase investor interest, leading to greater demand for the firm's shares and, consequently, a higher market value. In other words, the greater a firm's ability to generate profits, the higher its profitability index and market value (Bon & Hartoko, 2022). Empirical studies report mixed findings regarding the impact of profitability on firm market value. Some studies provide evidence of a significant positive effect (Hermuningsih, 2013; Kellen, 2011), whereas others find no statistically significant impact (Hussien, 2019; Widiarta, J. R., & Dermawan, 2023; Hidayatulloh & Trisnaningsih, 2024).

H2: Firm profitability has a positive effect on firm market value.

Financial Leverage: Financial leverage: Financial leverage is represented as the ratio of long-term debt to equity in a company's financing structure. Increased leverage can potentially maximize a company's value if the tax relief it receives is greater than its debt risk, as this relief is likely to lead to increased future cash flows. However, since these future cash flows are discounted according to the risk-adjusted cost of capital, the risk of default may offset these gains, reducing the present value of future earnings and, consequently, the firm's market value (Ibrahim & Isiaka, 2020). Various capital structure theories fail to fully explain actual financing behavior, making it difficult to provide universal guidance regarding the optimal capital structure. Nevertheless, some studies provide evidence supporting a positive relationship between capital structure and firm value (Rayan, 2008). Others argue that the effect of financial leverage on firm value depends on the magnitude of the tax shield on interest payments; if the tax benefits exceed the costs associated with bankruptcy risk, leverage can increase firm value. A lower probability of bankruptcy

may further strengthen the positive effect of leverage on market value (Chen & Tzeng, 2014).

H3: Financial leverage has a positive effect on firm market value.

Liquidity: Liquidity is a financial ratio that measures a firm's ability to meet its short-term obligations. Firms with high liquidity are better positioned to settle their short-term debts efficiently. According to the Pecking Order Theory, managers prefer to finance investments first through retained earnings, then through debt, and finally by issuing new equity. Based on Signaling Theory, a firm's ability to meet its short-term obligations sends a positive signal to the stock market, which can lead to an increase in the firm's market value (Reschiwati et al., 2020).

The relationship between stock market liquidity and firm value is well-documented and strongly supported by market structure theories. The theoretical foundation of this relationship is based on the observation that higher stock liquidity improves the accuracy of stock price information and enhances performance monitoring, which in turn increases the firm's market value (Batten & Vo, 2019).

H4: Liquidity has a positive effect on firm market value.

Managerial Efficiency: Efficient firms are defined as those that generate higher revenues from a given set of inputs. Managerial efficiency is influenced by manager-specific characteristics, as managerial abilities vary across individuals, as well as by firm-specific characteristics. For example, managers in larger firms tend to possess stronger bargaining power and superior negotiation capabilities compared to those in smaller firms (Demerjian, 2012).

More efficient managers are those who are able to generate higher revenues for a given level of firm resources relative to their industry peers. Efficient managers exhibit a superior ability to absorb technological advancements and market trends, forecast future product demand, identify projects with higher expected returns,

enhance productivity, and demonstrate effectiveness in managing their workforce. These capabilities enable them to make more efficient and informed decisions. Accordingly, firms managed by highly efficient managers are expected to be better positioned to increase firm value, thereby maximizing shareholder wealth in the long run (Atawnah et al., 2024).

H5: Managerial efficiency has a positive effect on market value.

Managerial capabilities can enhance a firm's future performance and value through efficient resource allocation, a deep understanding of the firm's business operations, and a strong ability to anticipate future developments. Such efficiency may be influenced by firm-specific characteristics, the overall economic environment, and managerial compensation schemes (Park & Byun, 2021, p. 4). The level of managerial efficiency affects firms' choices and activities; consequently, given the limitations of corporate resources, efficient managers tend to select economically or strategically viable activities that are expected to contribute to firm value creation. These decisions are typically shaped by firm characteristics (Cho & Lee, 2017, p. 33). In the same context, Salehi and Moghadam (2019) found that firms' financial characteristics contribute to explaining variations in managerial performance efficiency, particularly in companies with high financial flexibility and profitability. This, in turn, positively affects the quality of managerial decision-making and value maximization.

Based on the foregoing, managerial efficiency can be considered a key mediating variable in the relationship between firm characteristics and market value. Accordingly, the hypothesis is formulated as follow:

H6: There is an effect of financial characteristics on managerial efficiency.

H7: Managerial efficiency mediates the relationship between firms' financial characteristics and their market value.

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4- Methodology

This research employed a descriptive-analytical approach and manual content analysis of the annual financial reports of the banks in the study sample. The research examined the financial statements and annual reports of ten banks listed on the Iraq Stock Exchange for the period from 2013 to 2023. The study aims to investigate the impact of financial characteristics on the market value of these banks, as well as the mediating role of managerial efficiency in this relationship. This is achieved through the application of a set of statistical methods appropriate to the nature of the data and the study's objectives.

Firm size is measured using the natural logarithm of total assets, while financial leverage is measured by the ratio of total debt to total assets. A higher ratio indicates a greater reliance on debt financing, implying that firms must balance the benefits of tax shields against the risks associated with higher debt levels. Profitability is measured using return on assets, while liquidity is measured by the ratio of current assets to current liabilities. Managerial efficiency is measured using the ratio of operating costs to operating income, which reflects management's ability to control operating costs relative to operating income. Finally, firm market value is measured using Tobin's Q, which reflects the market's valuation of a firm relative to its book value.

Table (1): Measurement of Variables

Type v	Variables	Measurement of Variables	References
Independent X	Firm Size x1	Size = Ln (Total Assets)	Tubastuvi, et al., 2024
	Profitability x2	ROA = Net Income/ Total Assets	Bon& Hartoko, 2022
	Leverage x3	Leverage = Total Debt/ Total Assets	Astadewi& Suaryana, 2025
	Liquidity x4	CR = Current asset/ Current Liability	Nurwulandari, et al. 2021
Dependent Y	Tobin's Q	Market Value of the Firm/ (Book Value) of Assets	Wardana et al., 2025
Mediation M	Managerial Efficiency	Operating Expenses/ Operating Income	Petria, et al, 2015

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Direct Path Equation

Direct effect of financial characteristics on firm market value

$MV= \beta 0+ \beta 1SIZE+ \beta 2LEV+ \beta 3PROF+ \beta 4LIQ +\varepsilon 1$

This equation tests the direct impact of financial characteristics on firm market value **without including the mediating variable**.

Indirect Path Equation (Mediator Model)

Effect of financial characteristics on managerial efficiency

$ME=\alpha 0+ \alpha 1SIZE+ \alpha 2LEV+ \alpha 3PROF+ \alpha 4LIQ+\varepsilon 2$

Mediated Path Equation

Effect of managerial efficiency on firm market value with financial characteristics

$MV=\gamma 0+\gamma 1SIZE+\gamma 2LEV+ \gamma 3PROF+ \gamma 4LIQ+ \gamma 5ME+ \varepsilon 3$

5- Descriptive Statistics

Table (2) Descriptive Statistics of the Study Variables (2013–2023)

Variables	N	Min	Max	Mean	Std. Deviation	Variance
Firm Size x1	110	11.49	12.60	12.60	.21	.043
Profitability x2	110	-.03	.09	.09	.022	.001
Leverage x3	110	.001	1.67	0.56	.232	.054
Liquidity x4	110	.07	4.02	4.02	.754	.568
Managerial Efficiency	110	-6.92	9.33	1.33	2.5	6.029
market value	110	.32	2.01	.773	.27	.07

Table (2) presents the results of the descriptive statistical analysis of the research variables for the period from 2013 to 2023. The research included a sample of 10 banks, comprising 110 observations, indicating the completeness of the research data and its readiness for analysis.

Regarding the independent variables, which are financial characteristics, the company size Firm size (x1) ranged between a minimum of 11.49 and a maximum of 12.60, with a relatively low standard deviation of 0.206. This indicates a homogeneity in company sizes within the sample, reflecting the requirements of the central bank, which sometimes imposes specific asset retention ratios on banks. As for Profitability (x2), values ranged from −0.03 to 0.09, with a mean of 0.09 and a low standard deviation of 0.022, indicating low variance and dispersion in profitability levels among the companies. This reflects a relatively similar profitability performance, with some losses incurred by banks during the research period, indicated by the negative indicator.

For leverage (x3), values ranged from a minimum of 0.001 to a maximum of 1.67, with a mean of 0.56, a standard deviation of 0.232, and a variance of 0.054. These figures reflect differences among banks in their reliance on debt within their funding structures, indicating varying financing policies and working capital management practices.

As for liquidity (x4), values ranged from 0.07 to 4.02, with a mean of 2, a standard deviation of 0.754, and a variance of 0.568. This reflects the varying ability of companies to meet their financial obligations, which is to be expected. This is linked to the financial and investment policies pursued by the bank, its working capital management methods, and specifically the degree to which it holds readily convertible assets. The Tobin Q index ranged from a low of 0.32 to a high of 2.08, with a mean of 0.7736. The results in the table indicate that the market value is relatively close to the book value, ranging between 0.32 and 2, with a variation of 0.07. This small variation reflects a relative stability in the valuation of the shares, suggesting that the banks have not overvalued their shares.

Finally, management efficiency shows considerable variation, with values ranging from -6.92 to 9.69, with a mean of 1.33, a standard deviation of 2.70, and a variance

of 6.03. This variation indicates significant differences in management efficiency among companies, which may reflect differences in managerial experience and the effectiveness of resource utilization within the banks included in the research sample.

The descriptive results indicate that the study data exhibit relative homogeneity in some key financial variables, while showing noticeable variation in operational and managerial variables. Moreover, the statistical distribution characteristics support the suitability of the data for conducting advanced statistical analyses to test the research hypotheses.

6- Inferential Analysis

Table (3) Pearson Correlation Matrix

		X1	x2	x3	X4	Y	M
X1	Pearson Correlation	1	.062	.292**	-.532**	.173	.093
	Sig. (2-tailed)		.518	.002	.000	.071	.333
	N	110	110	110	110	110	110
x2	Pearson Correlation	.062	1	.045	.058	.288**	.007
	Sig. (2-tailed)	.518		.641	.550	.002	.946
	N	110	110	110	110	110	110
x3	Pearson Correlation	.292**	.045	1	-.286**	.901**	.050
	Sig. (2-tailed)	.002	.641		.002	.000	.607
	N	110	110	110	110	110	110
X4	Pearson Correlation	-.532**	.058	-.286**	1	-.151	.084
	Sig. (2-tailed)	.000	.550	.002		.114	.384
	N	110	110	110	110	110	110
Y	Pearson Correlation	.173	.288**	.901**	-.151	1	.007
	Sig. (2-tailed)	.071	.002	.000	.114		.940
	N	110	110	110	110	110	110
M	Pearson Correlation	.093	.007	.050	.084	.007	1
	Sig. (2-tailed)	.333	.946	.607	.384	.940	
	N	110	110	110	110	110	110
**. Correlation is significant at the 0.01 level (2-tailed).							

Table 4 presents the Pearson correlation coefficient matrix for the study variables, namely the independent variables (company financial characteristics, X1-X4), the

dependent variable (market capitalization, Y), and the mediating variable (managerial efficiency, M). This step is essential to verify the absence of linear correlation problems between the variables that might affect the hypothesis testing results. When examining the relationship between company size (X1) and the other variables, the results revealed a positive correlation with leverage (X3) of 0.292, which was statistically significant ($p < 0.01$). This suggests that larger firms are more likely to rely on higher levels of financial leverage. In contrast, company size displayed a notable negative correlation with liquidity (X4) at -0.532, indicating that larger firms may experience lower liquidity, possibly due to the expansion of their operations or increased investment in fixed assets.

The correlations between company size and both market capitalization (Y) and managerial efficiency (M) were positive but not statistically significant, pointing to a weak direct linear relationship.

Profitability (X2), on the other hand, showed a positive and statistically significant correlation with market capitalization (Y) at 0.288 ($p < 0.01$), aligning with previous economic research that links higher profitability to stronger market valuation.

Conversely, profitability did not show significant correlations with other variables, including managerial efficiency, suggesting its relative independence from these variables within a two-way linear framework.

Regarding leverage (X3), it recorded the strongest correlation in the table with the company's market capitalization (Y), reaching (0.901) and being significant at the (0.01) level. This indicates a very strong positive relationship between leverage and market capitalization, which aligns with the view that higher leverage increases a company's value if the tax exemption discount is higher than the cost of risk in the market due to reliance on debt (Ibrahim & Isiaka, 2020). The strength of this relationship may be due to linear interference resulting from the addition of two

variables together, which warrants cautionary judgment. Leverage also showed a significant negative correlation with liquidity (X4), reaching (−0.286), which reflects the expected inverse relationship between reliance on debt and levels of liquid assets.

Regarding the liquidity variable (X4), its relationship with the company's market value (Y) is negative and statistically insignificant, with a correlation coefficient of −0.15. This indicates the absence of a clear, direct linear relationship between liquidity and market valuation in the sample under study. Conversely, the relationship between liquidity and managerial efficiency is weak, positive, and statistically insignificant, suggesting that liquidity management may not be a decisive factor in explaining managerial efficiency based on the measurement scale employed.

As for the Firm's market value (Y), it was significantly correlated with both profitability (X2) and financial leverage (X3), which may indicate the importance of financial characteristics in explaining the change in market value more than administrative variables in binary analysis.

Finally, managerial efficiency (M) does not exhibit any statistically significant correlation with the other variables, including the company's market value, indicating a weak direct linear relationship. However, the absence of a significant bivariate correlation does not preclude the possibility of an indirect effect or a mediating role for managerial efficiency, which will be examined in subsequent analyses using multiple regression models and mediation analysis.

Overall, the results of the correlation matrix reveal no excessively high correlation coefficients among the independent variables except for the strong relationship between leverage and company value which reduces the risk of multicollinearity and supports the suitability of the data for proceeding to the hypothesis-testing stage of the regression analysis.

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المجلة الدولية للعلوم المالية والإدارية والاقتصادية
الإصدار (4)، العدد (12)

7- Regression Hypotheses Testing

After reviewing the correlation matrix between the research variables and ensuring the integrity of the data and the absence of linear correlation problems, regression hypotheses can be formulated and their results interpreted.

Table (4) Firm Size ⟶ Market Value

X1	Y	R2	Adjusted R2	F	Sig
Firm Size	Market Value	0.03	0.021	7.3	0.048
		β0	β	T	Sig
		0.22	0.173	3.4	0.048

The regression coefficient (0.228) indicates a positive effect of company size on market capitalization; that is, an increase of one unit in company size leads to an increase of 0.228 units in market capitalization, holding all other factors constant. This finding aligns with signaling theory, which suggests that larger companies signal to investors their ability to dominate the market through effective management and strong reputation (Nurtya & Hidayati, 2020). The standardized beta coefficient (0.173) further reflects a modest positive influence of company size in explaining market capitalization.

The table also demonstrates the stability of the simple linear regression model, as indicated by an F-value of 7.3 at a significance level below 0.05. This confirms the model's suitability for estimating stock value based on bank size, thereby validating the regression model. Furthermore, the t-value of 3.4, significant at the 5% level, indicates that company size has a statistically significant impact on market value. These results are consistent with the findings of Al-Hanawi (2019) and Pindado et al. (2010). However, they contrast with the study by Widiarta & Dermawan (2023), which concluded that company size has a negative but non-significant effect on market value.

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المجلة الدولية للعلوم المالية والإدارية والاقتصادية
الإصدار (4)، العدد (12)

Table (5) Profitability ⟶ Market Value

X2	Y	R2	Adjusted R2	F	Sig
Profitability	Market Value	0.083	0.075	9.7	0.02
		β0	β	T	Sig
		3.6	0.28	3.13	0.02

It can be observed from Table 5 that the regression model is valid, as indicated by an F-value of 9.75 at a significance level below 0.05. This suggests the model's ability to estimate market value based on profitability. Furthermore, the t-value of 3.31, significant at the 5% level, indicates that profitability has a statistically significant effect on market value. The positive beta coefficient (β = 0.28) demonstrates that the effect is positive, meaning that an increase in profitability leads to a corresponding increase in the market value of the banks included in the study sample. The coefficient of determination (R^2 = 0.083) indicates that profitability explains approximately 28% of the variation in market value, with the remaining variation attributed to other factors.

This finding implies that higher profits increase expected discounted future cash flows, send a positive signal to investors, enhance shareholder satisfaction, and consequently raise market value. These results are consistent with previous studies by Komarudin & Affandi (2019), Muhammad (2023), and Alathamneh et al. (2025).

Table (5) leverage ⟶ Market Value

X3	Y	R2	Adjusted R2	F	Sig
Leverage	Market Value	0.81	0.80	464.17	0.000
		β0	β	T	Sig
		1.05	0.90	21.54	0.000

The results presented in the table indicate the validity of the regression model, as evidenced by an F-value of 464.17 at a significance level below 0.05. This confirms the model's ability to estimate the market capitalization of the banks in the study sample based on financial leverage. Furthermore, financial leverage exerts a statistically significant effect on market capitalization, as indicated by a t-value of 21.54 at the 5% significance level. The regression coefficient (β = 0.90) is positive,

indicating that a one-unit increase in the leverage ratio leads to an increase of 0.90 units in the market capitalization of the banks included in the study.

The coefficient of determination ($R^2 = 0.81$) suggests that financial leverage explains approximately 81% of the variation in market capitalization. Accordingly, the fourth sub-hypothesis is accepted. These findings are consistent with the study by Nghia (2025), which examined a sample of Vietnamese firms and reported a positive effect of financial leverage on firm value. Similar results were also documented by Al-Mutawali (2021) in a study of Egyptian companies. In contrast, Ilham (2022) reported a negative relationship between financial leverage and firm market value.

The results of this study can be interpreted in light of established financial theories, particularly capital structure theory. According to the Trade-Off Theory, firms may increase their value by relying on debt financing up to a certain optimal point, where the benefits derived from debt—most notably tax advantages—exceed the potential costs of financial distress (Kraus & Litzenberger, 1973; Myers, 1984). From this perspective, a higher level of financial leverage can contribute to value creation by lowering the firm's overall cost of capital, which provides a theoretical explanation for the positive and statistically significant relationship identified in the empirical results.

Table (6) liquidity ⟶ Market Value

X4	Y	R2	Adjusted R2	F	Sig
liquidity	Market Value	0.02	0.012	2.53	0.114
		β0	β	T	Sig
		-0.055	0.151	-1.59	0.114

The table shows that the F-value of 2.55 at a significance level of 0.114 is statistically insignificant, indicating that the model estimating market value based on liquidity is not significant. Moreover, the regression coefficient of 0.15 suggests that, from a theoretical perspective, a one-unit increase in liquidity would lead to a 0.15 increase in market value. However, this effect is not statistically significant, as evidenced by

the t-value of −1.5 at a significance level of 0.114.

These results are consistent with the findings of Mubaraq et al. (2025) and Yulianson and Hastuti (2025), both of which reported no statistically significant effect of liquidity on firm market value. This outcome may also be explained by the Efficient Market Hypothesis, which posits that liquidity information is readily available to all investors and, therefore, does not exert a meaningful influence on investors' valuation decisions.

Table (7) Firm Size ⟶ managerial efficiency

X1	M	R2	Adjusted R2	F	Sig
Firm Size	managerial efficiency	0.009	-0.001	0.94	0.333
		β0	β	T	Sig
		1.10	0.093	0.97	0.333

According to the results in the table, company size does not have a statistically significant effect on the variance in managerial efficiency within the study sample. This suggests that factors other than company size, such as managerial experience or other factors, can influence managerial efficiency. According to the results in the table, there is no statistically significant relationship between company size and managerial efficiency.

Furthermore, the table shows an F-value of 0.94 with a significance level greater than 0.05, indicating that the model is not statistically significant and that managerial efficiency cannot be estimated solely by company size.

The coefficient of determination ($R^2 = 0.009$) suggests that company size accounts for only 0.9% of the variation in managerial efficiency, reflecting a very weak explanatory power. The regression coefficient shows a slight positive effect, meaning that a one-unit increase in firm size corresponds to a 0.093-unit increase in managerial efficiency. However, this effect is not statistically significant, as indicated by a t-value of 0.97 and a p-value of 0.333. Overall, these results reinforce that company size is not a significant determinant of managerial efficiency in the studied sample, and other factors are likely to have a greater impact.

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الإصدار (4)، العدد (12)

Table (8) Profitability ⟶ managerial efficiency

X2	M	R2	Adjusted R2	F	Sig
Profitability	managerial efficiency	0.0001	-0.009	0.005	0.943
		β0	β	T	Sig
		0.74	0.007	0.068	0.943

The table indicates that the statistical F-value of 0.946, at a significance level greater than 5%, is not statistically significant, which means that it is not possible to estimate managerial efficiency based on profitability for the banks included in the study sample. In addition, the R-squared value is very close to zero, indicating that profitability does not explain any of the variation in managerial efficiency. This suggests that managerial efficiency is influenced by other factors, such as managerial experience and sound corporate governance mechanisms.

Furthermore, the regression coefficient indicates the existence of a very weak relationship, whereby a one-unit increase in profitability leads to a theoretical increase of only 0.007 in managerial efficiency. However, this effect is statistically insignificant, as evidenced by the t-value of 0.97 and the corresponding significance level of 0.946.

Table (9) Leverage ⟶ managerial efficiency

X3	M	R2	Adjusted R2	F	Sig
Leverage	managerial efficiency	0.002	-0.007	0.266	0.607
		β0	β	T	Sig
		0.52	0.050	0.516	0.607

The table shows that the statistical F-value of 0.266, at a significance level greater than 5%, is not statistically significant, indicating that investment efficiency cannot be estimated based on financial leverage for the banks included in the study sample. In addition, the R-squared value is very close to zero, which indicates that financial leverage does not explain any of the variation in managerial efficiency. This suggests that managerial efficiency is influenced by other factors, such as managerial experience and sound corporate governance mechanisms.

Furthermore, the regression coefficient indicates the presence of a very weak relationship, whereby a one-unit increase in financial leverage leads, from a theoretical perspective, to an increase of 0.050 in managerial efficiency. However, this effect is statistically insignificant, as evidenced by the t-value of 0.516 at a significance level of 0.946.

This result is also consistent with several empirical studies that found no statistically significant effect of financial leverage on investment efficiency. For instance, Biddle, Hilary, and Verdi (2009) concluded that investment efficiency depends primarily on the quality of accounting information rather than on capital structure. Similarly, Chen et al. (2011) demonstrated that financial constraints and corporate governance play a more important role in explaining investment efficiency than financial leverage.

Table (10) Liquidity ⟶ managerial efficiency

X4	M	R2	Adjusted R2	F	Sig
liquidity	managerial efficiency	0.007	-0.002	0.763	0.384
		β0	β	T	Sig
		0.273	0.08	0.873	0.384

The table shows that the statistical F-value of 0.763, at a significance level of 0.384 which is higher than 5%—is not statistically significant. This indicates that investment efficiency cannot be estimated based on liquidity in the banks included in the study sample. Additionally, the R-squared value is 0.007, which is very low, indicating that changes in liquidity do not explain any of the variation in managerial efficiency. This suggests that managerial efficiency is influenced by other factors, which may be personal or external. Moreover, the regression coefficient indicates a very weak positive relationship, whereby a one-unit increase in liquidity theoretically leads to an increase of 0.080 in managerial efficiency. However, this effect is statistically insignificant, as evidenced by the t-value of 0.873 at a significance level of 0.384, which exceeds 5%.

According to agency theory, retaining high levels of liquidity may exacerbate agency

problems, as excess liquidity grants managers greater discretion to make inefficient decisions, such as investing in low-return projects or directing resources toward personal benefits (Opler et al., 1999).

Table (11): Ownership Concentration → Information Asymmetry → Investment Efficiency

M	Y	R2	Adjusted R2	F	Sig
managerial efficiency	Market Value	0.000	-0.009	0.006	0.940
		β0	β	T	Sig
		0.001	0.007	0.075	0.940

The table shows that the F-statistic value of 0.006, at a significance level of 0.940—which is higher than 5%—is not statistically significant. This indicates that it is not possible to estimate the market value of the bank based on investment efficiency within the study sample. Moreover, the regression coefficient indicates a very weak positive relationship, whereby a one-unit increase in investment efficiency theoretically leads to an increase of 0.007 in market value. However, this effect is statistically insignificant, as evidenced by the t-value of 0.075 at a significance level of 0.940, which exceeds 5%.

These results suggest that managerial efficiency alone does not significantly affect market value. According to the Efficient Market Hypothesis, the market value of a firm reflects all available information, meaning that managerial efficiency whether high or low may already be anticipated or known to market participants. The analysis revealed that management compensation and efficiency have different impacts depending on the type of strategy, specifically regarding the relationship between business strategy and company value Park& Byun, (2022. P.1).

Table (12): Firm Size ➔ managerial efficiency ➔ Market Value

Variables			Direct Path Coefficient	Indirect Path Coefficient	Total Path Coefficient
X1	M	Y			
Firm Size	managerial efficiency	Market Value	0.173	0.000	0.173

The direct path coefficient of bank size on market capitalization (β = 0.173) was statistically significant, while the indirect path through managerial efficiency was close to zero, indicating no significant effect of managerial efficiency on market capitalization and suggesting the absence of a mediating role.

This result aligns with the findings of Widiarta & Dermawan (2020), who found that managerial efficiency had no significant impact on the market capitalization of companies and therefore did not act as a mediator between a company's financial characteristics and market capitalization. It can be concluded that managerial efficiency does not amplify the impact of financial characteristics on market capitalization when mediated by the banks in the study sample. This finding may necessitate expanding the sample size, extending the study period, or considering other factors alongside investment efficiency.

Table (13): Profitability → managerial efficiency → Market Value

Variables			Direct Path Coefficient	Indirect Path Coefficient	Total Path Coefficient
X2	M	Y			
Profitability	managerial efficiency	Market Value	0.28	0.000	0.28

The path analysis results showed a direct, positive, and significant impact of bank profitability on its market value, with a direct path coefficient (β = 0.28). This reflects the importance of profitability as a key factor in enhancing market valuation for banks and is consistent with previous literature (Mohammed, 2023; Komarudin & Affandi, 2019). However, the results did not show any indirect impact of bank profitability on market value through managerial efficiency, as the value of this path was close to zero. The reason could be the lack of significance of the relationship between bank profitability and managerial efficiency on the one hand, and the lack of significance of the impact of managerial efficiency on market value on the other hand, which clearly indicates that the role of managerial efficiency as an

intermediary variable in this relationship has not been realized based on the sample data that the research dealt with.

Table (14): Leverage ➔ managerial efficiency ➔ Market Value

Variables			Direct Path Coefficient	Indirect Path Coefficient	Total Path Coefficient
X3	M	Y			
Leverage	managerial efficiency	Market Value	0.28	0.000	0.28

The empirical results indicate that investment efficiency does not function as a mediating variable in the relationship between financial leverage and market value. Specifically, investment efficiency was found to have no statistically significant effect on the market value of the banks included in the sample. Moreover, the inclusion of investment efficiency in the regression model did not lead to any noticeable change in the magnitude or significance of the direct effect of financial leverage. This suggests that the influence of financial leverage on market value operates primarily through a direct channel rather than through intermediary mechanisms. These findings are in line with previous empirical evidence reported by (Widiarta and Dermawan, 2020; Pindado, 2011), who also concluded that financial leverage plays a decisive role in shaping firm value, whereas managerial or investment efficiency does not exhibit a meaningful mediating effect.

Table (15): liquidity ➔ managerial efficiency ➔ Market Value

Variables			Direct Path Coefficient	Indirect Path Coefficient	Total Path Coefficient
X4	M	Y			
liquidity	managerial efficiency	Market Value	-0.153	0.00056	0.28

According to the table results, the direct effect of liquidity on market capitalization is negative and statistically insignificant ($\beta = -0.153$). This aligns with the study by Opler et al. (1999), which demonstrated that a high liquidity ratio in a company indicates a conservative policy, thus hindering its ability to seize investment opportunities to avoid potential risks and financial failure. However, the indirect

effect through managerial efficiency was minimal (0.00056), with neither the effect of liquidity on managerial efficiency nor the effect of managerial efficiency on market capitalization being statistically significant. Based on these results, it can be concluded that managerial efficiency mediates the relationship between liquidity and market capitalization, but does not enhance this relationship.

8- conclusion

This study examined the mediating role of managerial efficiency in the relationship between financial characteristics and market value for a sample of Iraqi banks listed on the Iraq Stock Exchange during the period 2013–2023. The findings indicate that bank size, profitability, and financial leverage have a positive and statistically significant effect on market value, suggesting that banks with stronger financial positions tend to receive higher market valuations. In contrast, liquidity did not show a significant effect on market value. In addition, the results revealed that managerial efficiency does not play a mediating role in this relationship, as the indirect effects of all financial variables were weak and statistically insignificant. This implies that the influence of financial characteristics on market value operates primarily through direct channels rather than through managerial efficiency.

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