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Value relevance of valuation alternatives; Empirical evidence from the PEX and ASE

Relevancia del valor de las alternativas de valoración; evidencia empírica del PEX y el ASE

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Abstract

The purpose of the research is to examine the relationship between profitability measures, cash flow, and financial management, firm characteristics, and external factors, and their influence on Stock Return (SR) for listed industrial companies on PEX and ASE for the period 2015 to 2023. The research utilized a panel data analysis using STATA software to examine the relationship between independent and dependent variables in 45 manufacturing firms listed on the Palestine Exchange (PEX) and the Amman Stock Exchange (ASE). The sample was drawn from a population of 55 industrial firms in Palestine and Jordan. Data was extracted from the financial statements of these businesses for the years 2015 to 2023, excluding firms that entered or exited the market during this period. The study revealed that these factors collectively explain 34% of the Stock Return (SR) variability. The findings indicate statistically significant positive correlations between Dividends Per Share DPS, Earnings per Share (EPS), and COVID with SR. Conversely, negative correlations were observed between SR and Operating Cash Flow OCF. This paper's originality lies in the linkage between financial measures and external factors influencing stock returns. This study employs a fixed-effect regression model to identify positive and negative correlations between stock returns and various independent variables, providing a nuanced understanding of what drives stock returns in two markets that share legal and social attributes.

JEL Code: : M40, N25, G19
Keywords: operating cash flow; return on equity; earnings per share; dividends; firm size; PEX; stock returns; ASE; COVID; financial inclusion

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Resumen

El propósito de esta investigación es examinar la relación entre las medidas de rentabilidad, el flujo de efectivo y la gestión financiera, las características de las empresas y los factores externos, y su influencia en el rendimiento de las acciones (SR) de las empresas industriales que cotizan en la Bolsa de Palestina (PEX) y la Bolsa de Amán (ASE) durante el período 2015–2023. La investigación utilizó un análisis de datos de panel mediante el software STATA para examinar la relación entre las variables independientes y dependientes en 45 empresas manufactureras que cotizan en la PEX y la ASE. La muestra se extrajo de una población de 55 empresas industriales ubicadas en Palestina y Jordania. Los datos fueron obtenidos de los estados financieros de estas empresas correspondientes a los años 2015 a 2023, excluyendo aquellas compañías que ingresaron o salieron del mercado durante este período. El estudio reveló que los factores analizados explican colectivamente el 34% de la variabilidad en el rendimiento de las acciones (SR). Los resultados indican correlaciones positivas y estadísticamente significativas entre el dividendo por acción (DPS), las ganancias por acción (EPS) y el impacto del COVID-19 con el SR. Por el contrario, se observó una correlación negativa entre el SR y el flujo de efectivo operativo (OCF).La originalidad de este estudio radica en el análisis conjunto de medidas financieras y factores externos que influyen en el rendimiento bursátil. Este trabajo emplea un modelo de regresión de efectos fijos para identificar correlaciones positivas y negativas entre el rendimiento de las acciones y diversas variables independientes, proporcionando una comprensión matizada de los factores que impulsan el rendimiento en dos mercados que comparten atributos legales y sociales.

Código JEL: M40, N25, G19,
Palabras clave: flujo de efectivo operativo; rentabilidad sobre el patrimonio; ganancias por acción; dividendos; tamaño de la empresa; Bolsa de Palestina (PEX); rendimientos bursátiles; Bolsa de Amán (ASE); COVID-19; inclusión financiera

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Introduction

The principal aim of most firms is to enhance their financial performance by making the most use of their large financial resources to maximize earnings and build wealth via successful projects (Rahman & Sharma, 2020), and financial profitability is not always a guarantee of a company's financial stability. Given that it is a criterion used to assess a corporation’s success and is expected to benefit prospective creditors, investors, and employees, these stakeholders find financial disclosures significant (Gunanta et al., 2015). In financial markets, a company's share value is crucial for investors; thus, profit-related financial data are one of the primary and credible indicators for receivers of financial information (Saputra, 2022).

Stock returns (SR) have a decade-long history of research, and academic interest in this topic has waxed and waned with the importance of macroeconomic factors (Pokharel et al., 2022). In addition, high-rate-of-return stocks draw in more capital flows from investors, whereas stocks with unpredictable returns make investors reluctant to invest in the market (Indrayono, 2019)

According to Asmirantho and Somantri (2017). financial SR depicts the present status of the financial pricing market for for a predetermined amount. Investors can use financial ratios to select profitable investments(Sudarsono & Sudiyatno, 2016). One prerequisite for potential investors to purchase a company's stock is that it meets specific financial metrics, such as the ratio of cash flow, EPS, DER, and ROE, which are investors' evaluations of a business's suitability to be named a preferred investment (Hikmah, 2022). According to (Yuliastanty, 2019)the most popular indicator is EPS, which displays the profit margin based on each share of the issued stock; increased dividend rates can increase investor confidence and enhance a company's worth. Several factors, including business expansion, may affect stock price fluctuations, mergers and acquisitions, governmental laws, market performance, shareholder type, investor psychology, and overall economic conditions (Singh & Tandon, 2019).

SR is a vital indicator for evaluating the effectiveness of a business's management; when an organization's stock prices rise consistently, investors believe it is operating well. Therefore, the factors that influence stock pricing are both non-financial and financial. The most significant financial factors are ROI, EPS, ROE, and DPS (Shannak, 2018). Corporate governance, capital size, the standing of companies, financial inclusion, global crisis, and the external auditor are examples of non-financial factors, and financial ratios and accounting metrics impact the earnings per share of a corporation; dividends DPS and variations in actual profits demonstrate its (Asmirantho & Somantri, 2017).

An essential financial indicator that can be quickly used to assess an establishment's performance in several essential areas is identified as ratio analysis, which is consequential in examining financial reports; a ratio investigation has many valuable characteristics (Shaban & Zubi, 2014). This information is easily accessible and originates from financial disclosures; comparing firms of different sizes makes it easier to calculate financial ratios that can be used to assess how well a company's finances are relative to industry averages. Furthermore, ratios can be applied to trend analysis to identify areas where performance has increased or decreased over time (Ndruru, 2023). Several papers believe that one of the most critical components of financial management is an enterprise's financial indicators, which are one of the primary requirements for the effective management of financial resources. Considering a review of the business's financing activities and current operating, sound economic management decision-making is necessary for efficient operation (Zelgalve & Zaharcenko, 2012).

Manufacturing businesses listed on the PEX and ASE are considered fundamental pillars of Palestine and Jordan's economy because of their numerous and noteworthy contributions to advancing social and economic development (Mustafa et al., 2023). The industrial sector has thrived recently in forming a cluster community and developing certain sub-industries, which has positively impacted Palestinian and Jordanian exports despite its challenges (Daraghma, 2014).(Hou & van Dijk, 2019) Like other financial exchanges in the Arab world, PEX and ASE suffer from several challenges that prevent it

from realizing its full potential as a center of finance and the economy. The weakness of legislative and regulatory frameworks, the lack of support institutions, and the ineffectiveness of the control tools that help manage securities are some of the most significant flaws, all contributing to a rise in stock price fluctuations and elevated market investment risks (Shannak, 2018).

Many studies have indicated that predicting future changes in SR is challenging. This is because it depends on variables that are sometimes unpredictable or even miss opportunities for investors. Therefore, many investors must consider the significant risks of investing in stock exchanges, Investors now face uncertainty regarding SR (Parab & Reddy, 2018).

Financial indicators are crucial tools in financial statement analysis because they help regulate a business's financial standing. Notwithstanding the business's generally strong performance, investors, management, bankers, and creditors use this ratio to assess efficiency and identify operational weaknesses (Takamatsu & Lopes-Fávero, 2019). Financial indicators may serve as predictive tools for anticipating future patterns in a business's financial performance, although they are primarily used to analyze past financial performance. The ability to forecast a business's performance over the subsequent few years enables investors to compare and choose the best course of action when investing (Musallam, 2018).

The industrial sectors of Palestine and Jordan confront considerable problems, such as resource scarcity, political instability, and limited access to global markets. Given the region's water and energy shortages, resource efficiency in the industrial sector emerges as an important field of research. This provides a chance to investigate novel ways, such as adopting industrial processes and renewable energy solutions, to overcome these difficulties and realize the sector's potential for long-term growth.(Al-Khazaleh et al., 2025; Jaber, 2024; Sadeh, 2024)

The significance of this research findings reveals that the independent factors significantly contribute to explaining the modifications to the dependent variable, as evidenced by the strong explanatory power and statistical significance of the model. Moreover, individual relationships between specific factors and stock return were identified, suggesting that factors like EPS, dividends per share, and COVID can positively influence, while factors such as OCF and fixed assets may have a negative effect.

Consequently, the contribution of this paper lies in its pursuit of achieving a set of objectives, the most important of which is clarifying the relationship between internal financial metrics and external factors with SR in industrial enterprises listed on PEX and ASE, which adds to the literature and the The library of knowledge. In addition, the conclusions of this paper are helpful to other stakeholders, including investors, government bodies, company owners, and specialists. The results of this research will help institutional and individual investors evaluate their investment methods in the short and long term. It will help company managers and shareholders develop policies and plans that maintain the upward movement

of stock prices. We can achieve this by closely monitoring important indicators and analyzing their interactions.

The research gap can be associated to the theoretical association between a business's internal and external factors and stock prices, studies have shown mixed outcomes. It is essential to explore this topic further, particularly in emerging nations like Palestine and Jordan. The the main goal of this research is to determine the correlation between the business's internal financial metrics and external factors and the fluctuations in its stock price. This paper sheds light on the next research question: What is the effect of the internal financial matrix and external factors like COVID and national financial inclusion plans on SR in emerging financial markets?

The study will be organized in the following manner; The second part of the study presents the review of the literature, and the third section clarifies the study methodology and data collection. Then the results of the regression and statistical tests are in the fourth part. The results will be discussed in the fifth part, and The sixth and final part concludes with recommendations for further research.

Theoretical background

Signaling theory

In 1973, Michael Spence introduced the idea of "signaling theory," stating that if the idea of a signal contains information about the organization's current state, past performance, or prospects regarding its survival and is given to investors or management, it will be used as a methodical instrument for choosing investments in the future (Safitri et al., 2023). Good or negative news may be conveyed by organizations through signals, according to (Aula & Budisusetyo, 2018).

Profitability

Investors see profitability as one of the financial performance indicators of a businesses when determining the percentage of return on investment. The prospects of the business are positively impacted by profitability. A firm's profitability is a measure of its capacity to turn a profit; the higher the profit, the more proficient the management of the business is. The advantages of financial investment are also reflected in profitability (Lovell & Harjanto, 2023). Another indicator of a business's profitability that shows how much cash it makes off of the capital that shareholders have invested in is ROE (Al-Qudah, 2016). In line with Shamsuddin, the ROE measure assesses a business's capacity to generate profits for all

stockholders, including preferred and common stocks. This ratio is used by investors to ascertain how much benefit a company can offer in the future. One way to quantify business owners' earnings, including preferred and common shareholders, is to receive capital investments through return on equity (Nadyayani & Suarjaya, 2021).

Operating cash flows

OCF result from business dealings and other occurrences that have an impact on how net profit or loss is calculated. OCF is a key sign of a company's capacity to create enough cash on its own to pay off debt, cover dividend payments, keep up operations, and make new investments—all without the need for outside capital. Operational cash flow growth gives investors hope for the company's future success, which will eventually impact stock returns. (Napitupulu et al., 2022). The cash flow report represents the cash outflows and inflows from a business's financing and operating activities throughout a given period in a manner that suggests an initial and final cash balance.(Skousen et al., 2009) Cash flow statements are financial statements that disclose the total amount of money received and disbursed by a business within a specific timeframe. Cash comprises checking accounts, cash balances, or cash on hand (You et al., 2020).

Stock return

Analysts employ various techniques to assess a company's equity. Many users of financial statements find value in valuation analyses that are based on valuation indicators. Accurate stock valuations enable investors to make judgments regarding credit, investments, company mergers, and initial public offerings (Ahmed Alswalmeh & Mohd Dali, 2019).It is necessary to apply financial analysis to comprehend statistics in financial statements. It also uses accounting and market indicators. The findings of this analysis can be used to assess companies' operational success and financial stability. It also evaluates how well businesses produce a high return on investment to meet investors' goals (Pudji, 2017). Firms publish market and accounting indicators to assist creditors, investors, and other stakeholders in informed investment decisions (Alswalmeh et al., 2021).

SR displays data acquired from marketing, management, economics, and accounting. This printed document includes the business's procedural, structural, administrative, effective, and efficient elements. Information about SR affects market indicators and accounts for organizations. Accordingly, many analysts and scholars (Ahmed Alswalmeh & Mohd Dali, 2019). concentrated on the market and accounting elements that influence SR. These days, it might be challenging for investors to recognize the indicators that affect return on equity ROE. Indicators of the market and accounting are essential for

confirming their ongoing influence on SR (Singh & Tandon, 2019). In addition, financial analysis techniques consider accounting indicators to determine a company's projected future performance and current financial situation. It determines how successfully a business can meet its obligations and evaluates its ability to make a profit (Alswalmeh et al., 2021).

According to the idea of the bird in hand, a dividend policy will increase corporate value due to increased investment interest in dividends than in capital gains because cash flow companies are uncertain about the future, according to the idea of the bird in hand (Pudji, 2017).which contends that ST affects accounting performance. The influence of SR on company value has been the topic of many papers. According to Huang et al. (2011), an essential consideration for investors is corporate governance when choosing what to invest in because it supports both sound governance and the preservation of stock prices in times of crisis. The hypothesis is formulated in light of the preceding discussion.

OCF and SR

To help creditors, investors, and other stakeholders analyze the future cash flow quantity, timing, and unpredictable nature, the financial accounting standards board requires the creation of a cash flow statement included in financial filings and submitted regularly to the SEC (Luo, 2008). Additionally, cash flows from operations, which are part of the operating component of cash flow statements, are essential for evaluating a business's capacity to maintain viability and produce revenue from operations within the company. In addition, most companies employ indirect methods to adjust their results through accruals to represent current operating cash flows OCF (Kipngetich et al., 2021). OCF information makes it easy for the administration to determine the amount of cash an institution has generated or needs to borrow to continue operating. Additionally, venture dividends, cash interest from product and service sales, and cash from product sales comprise cash inflows and other cash revenues unrelated to financing or investing in financial flows (Anwaar, 2016).

SR is a crucial factor investors consider when choosing their investments. Fika Idah and Siti Ragil (2017)assert that SR represents a consensus among investors regarding a company's present and future worth. In particular, SRs are valuable predictors of a country's financial and economic health going forward (Berggren & Bergqvist, 2015).Thus, much research has been conducted worldwide on the connection between SR and OCF statistics. According to (Utomo et al., 2018), operational cash flows positively impact returns on Indonesian stocks. (Khanji & Siam, 2015) produced conflicting findings and showed that operational cash flow had a minimal influence on the share market value of banks in Jordan. Research has (Kariuki et al., 2015).demonstrated that SR and OCF in Nigeria, Kenya, and Indonesia are positively and significantly correlated. Data covering 2007 to 2019 was gathered by (Napitupulu et al.,

2022) to examine how OCF affects SR for businesses listed on the Nairobi Securities Exchange. The findings demonstrate that OCF significantly and favorably impacts SR for companies listed on the NSE.

The paper by Gulo and Ginting (2023), Demonstrations that the OCF does not have a significant effect on SR. In contrast, cash flow from investment and OCF from funding activities significantly impact SR (Rambe et al., 2024) show that the OCF variable has no partial impact on SR. However, OCF has influence on SR. Nevertheless, the results (Napitupulu et al., 2022). show that OCF simultaneously affects SR. The hypothesis is formulated in light of the preceding discussion.

H01: There is no statistically significant relationship between OCF and SR for industrial businesses listed on the PEX and ASE for the period from 2015 to 2023.

ROE and SR

SR on the exchange are not always constant; sometimes they may increase or decrease according to the degree of supply and demand. Because stock profits may vary, some investors regard the capital market's stock market as appealing (Atidhira & Yustina, 2017).Nonetheless, shifts in SR may be due to fundamental, psychological, or other factors (Al-Qudah & Al-Afeef, 2015). Research indicates that ROE and annual returns are associated in many developing economies (Choiriyah et al., 2020). Furthermore, because ROE properly measures the potential profit a company may generate from equity capital investors, it is a valuable tool for evaluating changes in a firm's financial situation over time (Atidhira & Yustina, 2017). This study (Al-Qudah, 2016). is to determine the connection between the ROE and the Abu Dhabi Securities Exchange's annual SR. The findings reveal that the annual SR of businesses listed on the Abu Dhabi Securities Exchange and ROE have a substantial relationship. The study (Al-Khatib & Al-Horani, 2012). shows that ROE is the most important financial ratio, which helps in predict the financial distress of public businesses listed on the ASE. The (Nofal et al., 2024) found that the SR businesses listed on stock exchanges are significantly affected by EPS

H02 :There is no statistically significant relationship between ROE and SR for industrial companies listed on the PEX and ASE for the period from 2015 to 2023.

EPS and SR

For a long time, research from all around the world has focused on the relationship between SR and EPS. The relationship between EPS and SR has been widely researched for over three decades. Subsequently, the first report of the relationship mentioned above (Ball & Brown, 1968). According to Berggren and Bergqvist (2015). the only financial statement to which investors pay close attention is the earnings per

share. Additionally, earnings figures make it easier for investors and analysts to project future cash flows and manage the relation risks associated with their investment. In addition, it has been shown by (Kothari & Zimmerman, 1995) show that the earnings response coefficients of SR exhibit less prejudice and demonstrate more economic rationality.

A metric called EPS displays the net profit per share of shareholders. Investors are pleased with the improved ratio. As a result, there is a greater inclination among prospective investors to purchase shares of firms with high EPS (Atmariani & Agustia, 2024) Ultimately, this increases shareholder return. Contrastingly, potential investors see information content when the EPS ratio is (Daraghma, 2014). One of the market metrics used to assess management's ability to generate market value beyond capital expenditure is the EPS (Bukit, 2013).The most thorough method for evaluating how well a business is performing in reaching its objectives of optimizing shareholder wealth and shareholder value is to use this ratio (Idawati & Wahyudi, 2014).

For almost 30 years, the association between SR and EPS has been widely researched in academic circles worldwide (Khan et al., 2013). The link highlighted (Ball & Brown, 2013). was originally documented in an extensive collection of accounting literature, all making an effort to consider best the benefits of returns on earnings and the capacity to predict future earnings from stock changes and vice versa (Dimitropoulos et al., 2009). Many researchers believe that EPS is the most crucial element in determining SR. EPS and SR are highly correlated with (Atmariani & Agustia, 2024).When examining EPS, investors and market analysts may compare which stock is more profitable. According to (Khan et al., 2013)the only significant component in today's process of choosing the highest SR is EPS volatility. The hypothesis is formulated in light of the preceding discussion.

H03 There is no statistically significant relationship between EPS and SR for industrial firms listed on the PEX and ASE for the period from 2015 to 2023.

DPS and SR

Shareholders are incentivized to create exceptionally high returns and augment their wealth because DPS is a recompense for their investments (Arslan et al., 2014). However, the business must maintain its earnings to fund long-term growth. In addition, a firm’s management needs to work out extreme caution when deciding how to divide revenues and how much will be distributed as DPS to maintain shareholder confidence and fund the company's development and expansion (Al-Mwalla et al., 2010). Simply put, stockholders obtain DPS profits in return for owning company stock. The main goal of dividend payments to shareholders is to minimize free cash flow, as doing so minimizes conflicts of interest between

shareholders and management and keeps them from taking activities that would cause their wealth to be lost (Shannak, 2018)

In the study (Ball & Brown, 1968) .investors' aggregate demand for dividend income equals the total supply of DPS; hence, DPS has no bearing on SR. Thus, there is conflicting empirical evidence the ability of DPS to forecast future SR. According to(Fama & French, 1998), changes in DPS are positively correlated with future firm valuation, suggesting that DPS contains information about value overlooked by debt, investments, and earnings. Because the tax rate on DPS is higher than the tax rate on capital gains, the explanations in (Litzenberger & Ramaswamy, 1979; Sialm, 2009).contend that past DPS should positively predict the future SR of the corporation.

Prior research on DPS has compelling evidence of a relationship between stock performance and DPS; however, this link remains contentious and subject to scholarly debate to explore its potential fully. The impact of DPS on SR has also been tracked (Musallam, 2018).Their findings demonstrate a strong correlation between DPS and SR. Another paper examines the effect of DPS on SR in Pakistan. (Nazir et al., 2010). used 73 corporations listed on the Karachi Stock Exchange between 2003 and 2008 as the sample and control variables. The output of the regression analysis show that DPS has a major influence on SR. (Chaudhry, 2004) discovered that DPS affects SR.

H04 . There is no statistically significant relationship between DPS and SR for industrial firms listed on the PEX and ASE for the period from 2015 to 2023.

Stock returns and firm size

A key area of research in asset pricing is determining the variables that account for variations in SR and calculating the size of the corresponding premiums. It is a common misconception that investors are risk-averse when they trade on margins, setting asset prices such that the implied expected returns fairly compensate for the systematic risk they incur (Perez-Quiros & Timmermann, 2000). In the early 1980s, research showed a negative correlation between FS and realized SR (Keim, 1983). The size effect, or the propensity of stocks in small businesses to yield higher returns than those in large businesses, was perplexing because asset pricing theory, such as CAPM, did not anticipate this relationship.

Regardless of the company's size (small, medium, or large), investors should consider the business size (Handayani et al., 2019). One way to determine the size of a firm is to look at its sales volume, total assets, capital resources, and revenue. The size of a company may affect its value by assisting it in obtaining money (Abdullahi & Fakunmoju, 2019) Large businesses will most likely have enough cash to support all their initiatives to increase revenue (Ayuba et al., 2019). Many studies have examined

how corporate size affects SR. Regarding stock performance, real estate businesses listed on the IDX are considerably and favorably impacted by FS, according to a paper by (Sukesti et al., 2021).

Similarly, according to a study, FS positively affects the SR of industrial businesses (Acheampong et al., 2014).Conversely, (Duy & Phuoc, 2016). discovered that the SR of service businesses are negatively affected by FS. Additional investigations suggest that the impact of FS on SR is negligible (Yani, 2014). According to Hou and Mathijs (2014), The absence of the size impact in the Sharpe Ratio does not always indicate a change in anticipated returns, according to (Hunjra et al., 2014)

H05 : There is no statistically significant relationship between FS and SR for industrial businesses listed on the PEX and ASE for the period from 2015 to 2023.

Methodology

The population totaled 55 industrial businesses in Palestine and Jordan, and the sample size comprised 45 firms. Since the sample consisted of industrial businesses listed on the PEX and ASE, the research used panel data analysis using STATA to accomplish its aims using descriptive statistics, multicollinearity test, VIF and tolerance test, normality test, and panel analysis analyses. Listed companies that exited or entered the market during the study period were omitted. We also relied on data from the financial statements of industrial businesses listed on the PEX and ASE from 2015 to 2023.

Study variables

The table below provides a comprehensive overview of the study variables and their respective measurements.

Table 1
The Variables

Variable	Symbol	Description	Studies
Dependent variable			
Stock Return	SR	This variable is calculated according the equation SRit=(Pit-Pit-1+D)/(Pit-1) Where: SRit: The stock returns. Pit: The closing price of firm Pit-1: The opening price D: dividends per share.	(Puspitasari et al., 2025)
Independent Variables			
Earnings Per Share	EPS	It is computed by dividing the net profit— after subtracting taxes, interest, and	(Saputra, 2022)

		preferred stock payments—by the total number of common shares issued.	
Return on Equity	ROE	determined by taking the annual net profit after taxes and dividing it by the total equity held by shareholders.	(Asmirantho & Somantri, 2017)
Operating Cash Flow	OCF	Computed by dividing total assets by OCF.	(Puspitasari et al., 2025)
Firm Size	FS	computed using their entire asset's logarithm.	(Alswalmeh et al., 2021)
Dividends per Share	DPS	Dividends are calculated by dividing them by the shares outstanding in a given fiscal year.	(Lamichhane & Rai, 2021)
Control Variables			
Financial Inclusion	Fin	A dummy variable measures this: each country declared the adoption of financial inclusion, each year following the year of declaration was assigned 1, and the pre-declaration date was 0.	
Covid-19	Covid	A dummy variable measures this: 1 was assigned to each year following the pandemic, and 0 otherwise.	

Study model

$$Rit = \alpha + \beta 1\ OCFit + \beta 2\ ROEit + \beta 3\ EPSit + \beta 4\ DPSit + \beta 5\ FSit + \beta 6\ FIN\ it + \beta 7\ COVIDit + \varepsilon it$$

Where :

Name	Variable	Definition
R	Dependent variable	Stock return
OCF	Independent variable	Operating Cash Flow
ROE	Independent variable	Return on Equity
EPS	Independent variable	Earnings Per Share
DPS	Independent variable	Dividends per Share
FS	Independent variable	Firm Size
FIN	Control Variables	Financial Inclusion
COVID	Control Variables	Covid-19

The results

Descriptive statistics statistics

Table 2 displays descriptive statistics that characterize the data, including mean, standard deviation, and minimum and maximum values.

Table 2
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
SR	405	.173	.671	-1	5.518
EPS	405	.145	.514	-2.55	4.06
ROE	405	-.223	2.913	-50.341	1.231
OCF	405	.151	.318	-.635	3.404
DPS	405	.115	.238	-.189	2
FS	405	7.424	.557	4.862	9.178
Covid	405	.395	.451	0	1
FIN	405	.556	.498	0	1

Table-2 shows the details of descriptive statistic of the variables used in the study. SR is taken as dependent variable ranges from -1 to 5.518 , its mean is 0.173, and standard deviation is 0.671. The first independent variable included in the study is EPS, which spans from -2.55 to 4.06 with a mean of -2.55 and an SD of 0.514. The second independent variable included in the study is ROE, which spans from -50.341 to -50.341with a mean of -.223 and an SD of 2.913. The third independent variable included in the study is OCF, which spans from -.635 to 3.404 with a mean of 0.151 and an SD of 0.318. The fourth independent variable included in the study is DPS, which spans from -.189 to 2 with a mean of 0.115 and an SD of 0.238. The five independent variable included in the study is FS , which spans from 4.862 to 9.178 with a mean of 7.424 and an SD of 0.557. The Sixth independent variable included in the study is FS , which spans from 4.862 to 9.178 with a mean of 7.424 and an SD of 0.557. The control variable included in the study is covid , which spans from 0 to 1 with a mean of 0.395 and an SD of 0.451. The control variable included in the study is FIN , which spans from 0 to 1 with a mean of 0.556 and an SD of 0.489 .

Multicollinearity test

The research used Pearson's correlation test to evaluate the multiple regression model. A strong correlation is defined as a correlation rate exceeding 80% between two or more variables. This may lead to a bias in the relationship between the dependent variable and one of the two independent variables (Gujarati & Porter, 2003). A cross-correlation matrix was created for the study variables to verify the absence of any correlations of this type, as shown in Table 3.

Table 3
Person Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) SR	1.000							
(2) EPS	0.190	1.000						
(3) ROE	0.064	0.128	1.000					
(4) OCF	-0.039	0.090	-0.167	1.000				
(5) DPS	0.357	0.757	0.062	0.137	1.000			
(6) FS	0.008	0.364	-0.052	0.010	0.386	1.000		
(7) Covid	0.196	0.043	-0.083	0.009	0.041	0.040	1.000	
(8) FIN	0.141	0.029	-0.084	0.055	0.011	0.051	0.784	1.000

Husman test

The Hausman test is employed in panel data analysis to determine the appropriate model specification between fixed effects and random effects. This test is crucial as it addresses the potential correlation between individual-specific effects and the independent variables. By comparing the efficiency of the random effects estimator (under the assumption of no correlation) with the consistency of the fixed effects estimator (which accounts for potential correlation), the Hausman test helps decide whether the more restrictive random effects model is valid or if, the more flexible fixed effects model is necessary (Wooldridge, 2010)

Table 4 indicates that a significant test statistic indicates that the random effects assumption is likely violated, favoring the fixed effects model.

Table 4
Hausman (1978) specification test

	Coef.
Chi-square test value	41.346
P-value	0

Fixed effect regression

The results in Table 5, fixed-panel regression analysis, were used to examine the influence of financial indicators (EPS, ROE, OCF, DPS, FS, Covid and FinInclusion) on SR on PEX and ASE.

Table 5
Fixed effect regression

SR	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EPS	.184	.109	1.69	.091	-.03	.398	*
ROE	.014	.01	1.35	.179	-.006	.034	
OCF	-.216	.107	-2.03	.044	-.426	-.006	**
DPS	2.122	.236	9.00	0	1.659	2.586	***
LogAssets	-.444	.177	-2.51	.012	-.791	-.096	**
Covid	.218	.091	2.41	.017	.04	.397	**
FinInclusion	.058	.083	0.69	.489	-.106	.221	
Constant	3.113	1.307	2.38	.018	.542	5.684	**
Mean dependent var		0.173	SD dependent var			0.671	
R-squared		0.336	Number of obs			405	
F-test		25.504	Prob > F			0.000	
Akaike crit. (AIC)		559.025	Bayesian crit. (BIC)			591.056	

*** p<.01, ** p<.05, * p<.1

Table 5 shows that the corrected R Square value was (0.336), with a statistical significance of (.000), which was less than (1%). This suggests that the independent factors play a significant role in explaining the change in the dependent variable. In addition, 34% of the change in the dependent variable SR can be attributed to the study's components. This indicates that this study did not explore all factors that could effect the SR variable.

The results also indicate a statistically significant positive correlation between EPS and stock return at level 10%, additionally a positive correlation between DPS and stock return at level 1%, and a positive correlation between Covid and stock return at level 5%. On the other hand, a negative statistical significance can be found between stock return, operating cash flow, and FS at a level of 5%.

Discussion of results

Operating cash flow

OCF has a t-statistical value of -2.16 and a significance value of 0.044, which is less than 0.05. This indicates that OCF has anegative impact on SR. Therefore, the null hypothesis H1 is rejected. The results showed that the SR of businesses listed on the PEX and ASE for the period from 2015 to 2023, were affected negatively by the OCF index in a statistically significant way, OCF significantly and adversely affected SR. This was in disagreement with ,(Kipngetich et al., 2021),(Fawzi et al., 2015; Utomo et al., 2018) and (Collins et al., 2014).study results, which showed a significant positive association between COF and SR.

Return on equity

ROE has a statistical value of 0.014 and a significance value of 0.179, which is higher than 0.10. Therefore, the SR is not affected by ROE variable. Therefore, the null hypothesis H2 is accepted that there is no connection between ROE and SR, which shows that financial data may influence stock return movement, which the market interprets as both a positive and negative signal The results showed that the SR of businesses listed on the PEX and ASE for the period from 2015 to 2023 were not affected by the ROE index in a statistically significant way. As a profitability statistic, ROE has no bearing on SR; that is, when ROE rises, SR do not rise, and when ROE falls, SR do not fall. This study is consistent with the study (Rambe et al., 2024). This contradicts signaling theory the result conforms to the research of Harjito and Aryayoga (2009) resulting in a conclusion that ROE has no influence on SR. The study differed (Al-Qudah, 2016; Puspitasari et al., 2025), which explained the observed positive correlation between the SR of businesses and the ROE. Likewise with the study (Sugito et al., 2020) ROE has a negative impact on SR.

Based on the notion that a company's performance improves with a greater ROE, SR is positively impacted by ROE. It's because the company's capital can generate more earnings. Raising ROE will boost investor interest in the business, which will raise the stock price and ultimately lead to a rise in SR for the firm.

Earnings per share

EPS has a t-statistical value of 0.184 and a significance value of 0.091, which is less than 0.10. This indicates that EPS has an impact on SR. Therefore, the null hypothesis H3 is rejected that there is no association between EPS and SR. The results showed that the SR of businesses listed on the PEX and ASE for the period from 2015 to 2023, were affected positively by the EPS index in a statistically significant way. The results of this paper (Hunjra et al., 2014)do not support those of this investigation, indicating that there is no relationship between SR and EPS. The paper (Brigham & Houston, 2006) (Rambe et al., 2024) supports the theory that there is a strong relationship between SR and EPS. According to the study (Nofal et al., 2024), listed firms' SR are significantly influenced by their EPS.

Dividends per share

DPS has a t-statistical value of 2.122 and a significance value of 0.0, which is less than 0.01. This indicates that DPS has a big impact on SR. Therefore, the null hypothesis H4 is rejected that there is no association between DPS and SR. The same data demonstrate SR of listed companies PEX and ASE for the period from 2015 to 2023 on were positively and statistically significantly impacted by the DPS index. In addition, the findings of this study (Anwaar, 2016). demonstrated a favorable association between DPSs and SR, which is consistent with the findings of this investigation. Similar conclusions were reached in this study (Nazir et al., 2010) (Atmariani & Agustia, 2024) which demonstrated that DPS significantly impacted the SR.

The hypothesis that expanding DPS over time suggests that the current income increase may be maintained is supported by the favorable influence of DPS on SR. This is so because DPS is basically a ratio. As a result, investors will get returns in the form of steady dividend payments from sustained income growth.

Firm size

(FS) has a t-statistical value of -.444 and a significance value of 0.012, which is less than 0.05 This indicates that FS has an impact on SR. Therefore, the null hypothesis H5 is rejected that there is no relationship between FS and SR. The results showed that the SR of companies listed on the PEX and ASE for the period from 2015 to 2023, were affected negatively by the FS index in a statistically significant way. This result is not consistent with the outcomes of the paper (Yani, 2014) that FS positively affects SR. On the other hand, the study's findings (Duy & Phuoc, 2016). demonstrate that the SR of service companies is adversely impacted by FS.

Conclusions

This research investigates how financial indicators affect SR on PEX and ASE for each of the industrial businesses listed between 2015 and 2023. The study's findings demonstrate that the influence of financial indicators on SR (EPS, ROE, OCF, DPS, FS , Covid and FinInclusion) varies.

The results displayed offer critical practical and theoretical implications, First, the practical implication of this study can be drawn by the relationship between EPS and SR, this can provide a trigger for investors to prioritize their investments with companies that have strong EPS, which prioritizes EPS

as a key indicator for potential return. Another perspective can be drawn from the DPS since it underscores the importance of DPS in enhancing shareholder value, companies may consider maintaining or increasing dividend payouts to attract investors and boost stock performance. Companies and investors also should consider external shocks such as COVID-19 in their risk management and strategic planning. The negative association between OCF and SR implies that companies investing heavily in growth opportunities (reduction of cash flow) could still experience positive SR and encourage the focus on strategic investments. Additionally, optimizing companies' asset management strategies would enhance SR. Second, the results also indicate a strong emphasis on the Efficient Market Hypothesis where publicly available information such as earnings and dividends is quickly reflected in stock prices. Furthermore, the findings align with the signaling theory especially for DPS by giving signals when distributing dividends on the firms' prospects. However the negative association between OCF and SR challenges the traditional views that higher cash flow would result in better stock performance, this could contribute to re-examining cash flow theories, especially in industries in emerging markets.

The outcomes of this paper support past research and shed light on the association between a business's SR and certain financial metrics. However, our findings have several theoretical and empirical implications. It also highlights the connection between financial metrics and business performance, and stresses the need for Palestinian companies listed on stock exchanges to pay close attention to their SR and thoroughly research the variables that influence them. Furthermore, the study's practical implications demonstrate that investors must comprehend and be conscious of price swings to protect them from potential threats. Recommendations for further research are derived from the findings of this study.

Palestine applies Jordanian law; Therefore, STATA dropped these two dummy variables and found collinearity since they share the same legal, economic, and social conditions. This may challenge investors to make investment decisions tailored to a specific country.

Future research could use other variables, such as ROA , interest coverage ratio, and market value to book value, to examine their impact on SR. Other measures of SR should be included to obtain a clearer picture of the results. It is also recommended that this study be expanded to include more developed and developing countries. The period under study in future research can also be considered a longer period, as in our study, only the period from 2015 to 2023 was considered. Future studies should focus on the association between the market returns after the Covid-19 pandemic and financial metrics.

The limitations of this study are as follows: First, this study is limited to Palestine and Jordan as an example of a developing countries and does not include any other countries. Second, this research includes only the most important industrial companies listed during 2015-2023 and does not include other companies. Third, the theoretical framework used in this research was limited to the chosen variables.

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