

**An-Najah National University  
Faculty of Graduate Studies**

**The Impact of Financial Performance on Firm's  
Value During Covid-19 Pandemic for Companies  
Listed in the Palestine Exchange (2019-2020)**

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**This Thesis is Submitted in Partial Fulfillment of the Requirements  
of the Master Degree in Accounting, Faculty of Graduate Studies,  
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**Abstract**

The results of the corporate financial performance assessment are key pillars of decision-making for the investor with many investment opportunities available and whether the company has the capacity to generate value as well as continuity for the future. Therefore, performance increases in significance particularly during successive financial crises, most recently Covid-19, which is a complicated pandemic that affects health and financial aspects.

The study examines whether Covid19 pandemic has an impact on the relationship between the financial performance of companies in return to assets, equity, and EPS and the company value with regard to stock return, Tobin Q ratio, P/E ratio by using the multi-variable regression equation on a group of 36 companies out of 46 ones listed in the Palestine Exchange, however, ten of which were excluded due to lack of data during the period 2019-2020.

This study has also found no effect of the Covid19 pandemic on the relationship between the financial performance (ROA, ROE, EPS) and the company's value (stock return), but it was turned out that the Covid19

pandemic had significant effect weakening the relationship between financial performance (ROA, ROE, EPS) and the company value (Tobin's Q), and it also had a significant impact on the relationship between the financial performance (ROA, ROE) and the company's value (P/E ratio) as the results showed that the relationship is negative.

The study recommended conducting additional studies to examine the impact of the Covid-19 pandemic and its impact on the economy and stock prices of companies in the Palestine Exchange to deal with future studies on the dimensions of unemployment and inflation, which is one of the most prominent consequences of the pandemic. In addition, researchers should take into account in their future research a greater sample size and a longer period of time while studying the impact of the Covid19 pandemic. It also motivates researchers to study additional mechanisms and indicators other than profitability indicators of financial performance such as debt indicators, liquidity and others.

**Keywords:** Financial performance, Firm value, Covid-19 (Corona), Palestine Exchange.

# **Chapter One**

## **General Framework of Study**

## **Chapter One**

### **General Framework of Study**

#### **1.1 Introduction**

Financial performance is a tool for measuring the integrity or soundness of the companies' financial positions by which the company's work is monitored, measured and its resources are invested to achieve the strategic goals through the interaction of internal and external factors of the company's activities. (Al-Qudah 2015) As such, the financial performance is an indicator for measuring the price fluctuations of shares. It is measured through financial analysis tools to study the financial situation and the company's financial procedures during a certain period, through the use of analytical tools e.g., profitability ratio, liquidity ratio, financial solvency ratio, company size. (Christina & Robiyanto, 2018)

In a globalized economy, financial market is a true mirror and an essential pillar for the economies of countries. Noticing the rapid financial and economic developments resulting from the stagnation of the trade and investment movement in Palestine, the Organization for Economic Cooperation and Development announced the reduction of its forecast for the growth of the global economy for 2020 from 2.9% to 1.5%. (Ecssr, 2020)

The world of economy is experiencing important shifts due to unprecedented situation that represented in a serious health phenomenon threatening the global economy. This phenomenon launched at the Republic of China in late

December of 2019, which was diagnosed as a global epidemic at the beginning of March 2020 by the World Health Organization (WHO). It was termed the Covid-19 (Corona) virus pandemic and classified as a rapid epidemic and required special medical attention. (WHO, covid-19, 2020). Besides, Covid19 pandemic led to an unexpected global shock, which was accompanied by a severe drop in oil prices, directly affecting oil-exporting countries and indirectly oil-importing countries. (Association of Banks in Jordan, 2020, p.2)

The outbreak of the virus and with the global opening up of countries, and after disease cases were diagnosed with the virus in the State of Palestine, Palestinian government had promptly implemented the instructions of the World Health Organization and took preventive governmental measures such as declaring the state of emergency in Palestine on 3/5/2020. These Procedures included restrictions of citizens' movement and closure of borders, airports and companies, which led to halting the supply and production chains for the majority of economic sectors while health and food sectors were on the run as they are essential for citizens. (Palestinian Council of Ministers, decision No.1,7 /2020)

The pandemic has been addressed in all sectors with the inability to predict future scenarios for the pandemic at the present time which highlights the importance of successful financial management of the pandemic as it is the basic element of future plans. The complexity of the pandemic has resulted most notably the lack of liquidity and debt default. The key for companies is

to maintain market continuity and ensure that debt is not defaulted and entered into real financial hardship as it may take a long time to remedy the consequences over the market value of companies' shares because the world faces an unspecified virus as well as vaccination processes which are unclear in terms of timing and mechanism to end the pandemic, not only unlimited in terms of health, but also a large-scale of humanitarian pandemic that threatens the collapse of all aspects of life. (Arab Center for Research and Policy Studies, 2020, p.30)

There is no doubt that, after the end of the pandemic, the world will accept political, economic and social changes, and the longer the pandemic lasts, the more it will have a greater impact on humanity, which is an important juncture and watershed in the history of the world as it is an event with a fundamental impact whose consequences are difficult to predict. (Mujib, 2020)

Accordingly, the State of Palestine isn't of course immune to the global pandemic, which causes disruption in sectors such as the tourism sector and aviation. A state that calls for adapting some facilities and measures to mitigate the economic and financial consequences of the pandemic, which will be explained later in the study. Thus, it shows the seriousness of the pandemic destabilizing the Palestinian economy. The study seeks to find the effects of the Coronavirus pandemic on the financial performance and on the stock returns of the companies listed on the Palestine Exchange.

## **1.2 Problem and Questions**

The global economy is experiencing many disturbances. Recently, during the outbreak of Coronavirus, which constitutes a real threat at the global and national economy levels, it has become a challenge for governments and companies to prevent its spread and restrict its repercussions and effects that impacted the financial and productive activities of the companies.

The study significantly handles of the most sensitive issue and its impact on the economies of countries, which has become a destabilization of the global economic activity as soon as of the epidemic of the new Covid-19 out broke by the end of the year 2019 spreading in most countries of the world and posing a real threat to all aspects of life.

Controlling the state of panic and intension after the outbreak of the epidemic in the State of Palestine at the beginning of March 2020, the government started to declare and announce preventive measures represented in the state of emergency in the country, restriction of movement, and closure of borders and airports to keep the spread of the virus down.

The study's significance emerges through highlighting the economic implications of governmental measures and the consequent stopping of productivity for the majority of economic sectors and the decrease in cash liquidity due to the closure. Many of the effects, that will be addressed during the study, are focused on the impact of the Covid-19 pandemic with regard to the performance according to the financial statements of the companies

listed on the Palestine Exchange and their implications for the stock returns of these companies.

Considering the negative repercussions of the pandemic and the contradictions between the economic and health sectors in light of the governmental restriction measures in Palestine, the main question the study's problem arises:

**What is the effect of financial performance on firm value during the new Covid-19 pandemic - a study on companies listed on the Stock Palestine for the period 2019-2020?**

Other questions also arose:

1. Do the financial performances influence the companies' values?
2. Does Coronavirus pandemic affect the relationship between companies' financial performances and the stock returns?
  - a. Does the return on assets affect the stock return during the Coronavirus pandemic?
  - b. Does the return on equity affect the stock return during the Coronavirus pandemic?
  - c. Does the earning per share affect stock return during the Coronavirus pandemic?



3. Does Coronavirus pandemic affect the relationship between the companies' financial performances and Tobin's Q?
  - a. Does the Return on assets affect the Tobin's Q during the Coronavirus pandemic?
  - b. Does the Return on equity affect the Tobin's Q during the Coronavirus pandemic?
  - c. Does the Earning per share affect Tobin's Q during the Coronavirus pandemic?
  
4. Does Coronavirus pandemic affect the relationship between the companies' financial performances and P/E ratio?
  - a. Does the Return on assets affect P/E ratio during the Coronavirus pandemic?
  - b. Does the Return on equity affect the P/E ratio during the Coronavirus pandemic?
  - c. Does the Earning per share affect the P/E ratio during the Coronavirus pandemic?

### **1.3 Study Objectives**

The study mainly seeks to achieve the companies' financial performances listed in the Palestine Exchange and their impacts on the stock returns,

Tobin's Q, and the P/E ratio during the coronavirus pandemic, in addition to the following objectives:

1. Studying the association between the companies' financial performances and their value.
2. Determining the effect of Coronavirus on the association between the companies' financial performances and their values.
3. Studying the effect of the Covid-19 pandemic on the profitability of companies as well as its effect on the stock returns on the Palestine Exchange.
4. Studying the effect of the Covid-19 pandemic on the profitability of companies and its effect on the Tobin's Q (TQ) on the Palestine Exchange.
5. Studying the effect of the Covid-19 pandemic on the profitability of companies and its effect on price to earnings ratio (P/E) on the Palestine Exchange.

#### **1.4 Significance of Study**

The novel Coronavirus (COVID-19) has out broken a health and economic catastrophe all over the world giving rise to motivating many researchers in the world to search for the causes and health risks on mankind, as well as the economic risks and damages to countries suffering from this virus until reaching the mechanisms and procedures to control the virus. Palestine is not

excluded from being affected by this virus, and hence the importance of studying the effects of the Coronavirus on the companies' financial performance listed in the Palestine Exchange and their impacts on the companies' values. The importance of this research is that it is one of the first studies in this field - within the limits of the researcher's knowledge - that is interested in studying the impact of this virus on the economic situation in Palestine and the extent to which the investor's decision is affected in light of the existence of an ambiguous pandemic globally and locally.

## **Chapter Two**

# **Literature and Hypotheses Development**

## **Chapter Two**

### **Literature and Hypotheses Development**

#### **2.1 Literature Review**

##### **Coronavirus Pandemic (Covid19)**

The world is experiencing many successive economic and financial crises, the last one was the 2008 mortgage crisis, as will also be listed later from pandemics that disrupted the global economic system, and with China announcing the first case of Coronavirus (Covid-19) in Wuhan in late December 2019, where The virus has prevalence to most of the world countries shortly, which led the governments of the countries to take precautionary measures, such as closing airports, borders, and preventing movement of citizens, creating a state of alarm and fear of sudden and rapid virus outbreaks, as the Corona virus differs from the rest of the epidemics that struck the world, which were limited Its spread in certain geographical regions such as the SARS virus, which spread exclusively in the country of China. (Talha, 2020) The virus began to spread quickly in most countries of the world, amounting to 199 countries until the end of March 2020, and the World Health Organization recorded 800,000 cases, including 39,000 deaths. (Arab Center for Research and Policy Studies, 2020, p.1)

Accordingly, the entire world and the Arab region are experiencing an exceptional situation in light of the spread of the Corona virus and its wide-ranging economic effects, including many economic sectors, especially the

tourism and aviation sectors, in light of the countries tendency to impose the policy of preventing movement, which affected the global supply chains, the international trade movement, Consumption activities, investment and manufacturing, high levels of uncertainty, and low consumer confidence. (Arab Monetary Fund, 2020, p.3)

On the level of the surrounding Arab region and its political and economic turmoil, the State of Palestine was affected severely by the pandemics due to the small size of their economies, the limited resources and the low health capabilities, as the Palestinian operate in light of severe risks and challenges. This will be explained later.

### **Covid-19 Pandemic**

It is a large group of viruses that cause disease in animals and humans and causes respiratory infections, which range from common colds to more severe diseases such as Middle East Respiratory Syndrome and acute respiratory syndrome (SARS) and recently appeared Covid-19. (Saber, 2020) reported by: *“the World Health Organization (WHO) on February 11, 2020.*

The World Health Organization renamed the new variable of this virus as Covid-19, and identified it as an infectious disease, and was classified as a global pandemic. (Arab Center for Research and Policy Studies, 2020, p.1)

## **The Expected economic effects of coronavirus (Covid-19)**

### **1- The global level**

In view of the differences between this pandemic from the previous crises, the foremost of which is the 2008 global financial crisis (the mortgage crisis) resulting in freezing credit and expenditure, this pandemic is a matter of health with rapid and significant effects on the economy, that it is not emerging from the financial markets, but rather reflects the state of fear and panic from the spread of the virus, where the application of health instructions to stay at home, not to shop nor to work giving rise to decreasing production and expenditure. This has created a deep recession, especially with the inability to contain the virus within a short period of time leading many companies to lay off or reduce the number of workers including those who declared bankruptcy due to loss in production. Also, commercial and service movements were frozen for a long time as global stock markets fell by 25% during the first month of the virus outbreak, which monetary policy cannot control and address as monetary policy is limited to implementing direct support programs for companies and individuals to enable them to continue and rise again after containing the virus. (Siregar, & Sihombing, 2020)

The global economy faces exceptional circumstances in 2020 in light of the implications associated with the emergence of the emerging Corona virus, which is expected to enter the global economy and international trade in a stage that is the worst since the global financial pandemic 2008, which

affected all aspects of the global economy, as follows: (Arab Economic Prospects, 2020, p.3)

A- International oil markets: It was affected by the low rate of growth due to the continuation of oil production from the oil exporting countries during the interruptions of the transportation movement as well as the demand for fuel from the economic sectors, especially the industrial ones, which coincided with the oil producers' follow-up strategy to maintain their market shares by increasing the quantity supplied instead of adopting a strategy for the balance of the global oil market at a time when American oil prices recorded the lowest level that has not been witnessed in history, but the expectations indicate the start of the gradual recovery of global oil markets during the year 2021. (Arab Economic Prospects, 2020, p.3-6)

B- The labor market: With the spread and outbreak of Coronavirus, the International Labor Organization expected the loss of approximately 25 million jobs worldwide exceeding the number of the unemployed during the 2008 global crisis having 22 million jobs. (Arab Economic Prospects, 2020, p.5)

C- International Trade: The global trade movement during the year 2019 was greatly affected by the developments and trade tensions between the United States of America and China reflecting on investment, manufacturing, trade and disturbing the global value chains, which led to a decline in the rate of growth in international trade to the lowest level in 10 years to record a decline by 1.4% in 2019 compared to 4% in 2018 where, according to the



expectations of the International Monetary Fund, the trade conflict between the United States and China cost economic growth of approximately \$ 700 billion before the outbreak of the new epidemic of the coronavirus at the beginning of the year 2020, along with the low rate of growth of domestic output with a total to 2.9% compared to 3.3% in 2018. (Arab Economic Prospects, 2020, p9).

D- Financial interdependence: It means the financial impact of the outbreak of the coronavirus on the global financial markets, which has been subjected to successive crises since the global financial pandemic 2008 (mortgage), where the outbreak of the virus and the lack of an effective vaccine has given a negative indication of the performance of the financial markets and the global economy as it increased from epidemic outbreaks. The effects were more severe, and according to OECD forecasts, the growth rate will reach 2.4% in the year 2020. With the spread of the epidemic, expectations have changed to a growth rate of 1.5% by 2020. (Arab Economic Prospects, 2020, p.2)

## **2- The Arab countries Level**

Subsequently, due to the slowdown in global demand in light of the trade tensions between the poles of the United States of America and China, the world and the Arab countries are in a state of panic. And during the spread of the new coronavirus by the start of 2020, the following are the effects of the coronavirus pandemic on the Arab countries, namely: (Prospects The Arab Economist, 2020, p14)

1. The Arab countries' exports: it's been a decline in global demand by approximately 50%, whether the country is an oil exporter or importer, in addition to influencing external demand, which contributes to 48% of the gross domestic product of countries. The Arab economies have been affected by the decrease in demand from their partners, whether oil or non-oil as these countries consume 65% of Arab exports, due to the generalization of the coronavirus pandemic worldwide.
2. Partial cessation of local production in the economic sectors, the tourism, transport, internal and external sectors, in addition to its effect on the manufacturing industry as these sectors contribute 40% of the GDP of the Arab countries.
3. Low consumption by the fuel-consuming economic sectors during the ban on transfers of individuals and the suspension of airports, which led to an increase in oil supply, and was accompanied by a decrease in world oil prices in accordance with the law of demand and supply reflecting negatively on the extractive industries, that contributes 27% of the GDP of Arab countries.
4. The decline in foreign and hard currencies of oil importing countries, as well as remittances of workers abroad that contribute 10% of GDP reflecting on the local currency of the country being linked to flexible and variable exchange rates, and increasing the cost of repaying loans, installments and the benefits of external debt.

5. Activating emergency budgets as a result of lower oil revenues of exporting countries and tax revenues of importing countries. On the other hand, increasing public expenditures for countries to support health and security sectors and enabling it to control the spread of the epidemic by proving large amounts of money and liquidity into the markets to mitigate economic impacts at all levels, both individuals and companies.
6. The high unemployment rates are attributed to the stoppage of production and employment operations. The most important of which is the complete stoppage of the tourism sector contributing greatly to provide job opportunities for a large portion and contributing at a rate of 12% -19% of the GDP of some Arab countries, which are major global tourists.
7. Small, micro, and medium enterprises are affected due to the small size of capital and their ability to cope with the crises, as these projects provide one third of the job opportunities and contribute 45% of the GDP of the Arab countries.

### **Economic effects on the Palestinian economy**

The Palestinian economy is greatly affected by the crises and shocks to which it is exposed, especially with the succession of these shocks and crises as the outbreak of the Corona virus may be more lethal to the economy, especially with the persistence of previous crises, led by the occupation of the occupation of the Palestinian territories, and the current political situation

and the resulting significant decrease in The amount of international support provided by donors, and accordingly, the economic effects of Corona virus on the Palestinian economy are listed as follows, where these effects are linked in the period of pandemic and emergency in the country: (PMA, 2020, p.3)

1. Increase in public spending: Given the overlap between the health and economic aspect of the pandemic, and adapting preventive measures to confront coronavirus has to increase government spending on several levels. The first is for the health sector and quarantine centers for people infected with the virus, which has to provide the provision of supplies and the necessary needs for people who have been blocked for a period that does not less than 14 days, in addition to the costs resulting from examinations and tests for the health and equipment of field hospitals devoted to the virus. The other level is the increase in spending for the security sector as a result of the declaration of the state of emergency where security forces were deployed in the provinces to follow up on the commitment to preventive measures and monitoring markets leading to cutbacks to minimum levels and its coincidence with the postponement of government payments.
2. Decreased government revenues: The declaration of a state of emergency, the closure of Palestinian crossings and borders, and the stopping of the foreign trade movement will affect the clearing revenues,

which are the tax revenues earned by the occupation on behalf of the Palestinian Authority.

As indicated by the Palestinian Prime Minister Dr. Muhammad Shtayeh, the cost of the new coronavirus may reach from 300 - 400 million shekels during the slowdown in the global economy, which is reflected on Palestinian treasury revenues, with a decrease of more than 50%. It is an average year of one billion two hundred million shekels a month, that is related to tax payments and the volume of import. It is barely sufficient to cover, and necessary expenses for the pandemic. (Sadaqah, Ja`far, 2020), an unprecedented financial crisis on the horizon and the required tools to mitigate its repercussions required.

3. High government debt: The Palestinian public budget suffers from a deficit before the pandemic, and with the outbreak of the virus and the consequent rise in public expenditures, the government will resort to external and domestic borrowing to cover these expenses, which has the effect of increasing the volume of arrears on the government and increasing the financial burden.
4. Economic loss from preventing workers from working in 48 lands and in settlements: The implementation of preventive measures, including preventing workers from working in 48 lands and in settlements, which number 135,000 workers, at a rate of daily wages of 250 shekels, therefore the loss of the Palestinian economy is approximately 33.7 million. NIS, which increases unemployment rates and deficits in the

public budget, since the government must provide them with a minimum number of life necessities.

5. Stoppage of import, export and the productive sectors: The procedures followed within the decree declaring the state of emergency and the preventive measures included closing all crossings and borders and restricting them to the necessary and medical consumer goods, i.e. halting the movement of import and export as well as the productive sectors operating in Palestine, especially the tourism sector, with the exception of the commodity sector medicines, which continued to work to cover the citizens' needs.
6. The investment disturbance: investment needs a stable environment, but the spread of creating a state of panic and fear for the consumers and the investors together reflected negatively on the prices of assets and aggregate demand, accompanying by high debt and the loss of a large number of investors because of the low ability to predict the future giving rise to taking a decision to stop future projects.
7. Decrease in foreign investments: This includes investments of institutions and individuals residing in Palestine and they have investments abroad (foreign investment) as well as currency and deposits investments, as until the third quarter of the year 2019 amounted to about 7.4 billion, where foreign direct investment forms about 23% of it, which is its source almost completely the private sector. Therefore, foreign

investments are directed towards being liquidated and frozen. (PMA, 2020, p.5)

8. The economic sectors, especially the tourism sector, are affected: stopping the Palestinian life completely and the consequent cancellation of all reservations for tourists and the closure of tourist areas to domestic tourism such as the closure of restaurants, wedding halls and public parks have caused serious damage to the entire economic structure of the state from the construction and education sectors, in addition to anticipating the income of workers, which raised unemployment rates, and entered many institutions, especially small-scale enterprises, into a real financial crisis.

### **Economic recession during the coronavirus pandemic being globalized worldwide**

The rapid spread of the coronavirus in most countries of the world and the preventive health measures that follow it have negative effects on a large segment of economic sectors. The concerns lie if the world is heading towards stagnation, which is passing through all its stages through the following main indicators: (Sharq Law Firm)

1. A rapid rise in the fiscal deficit.
2. Increased unemployment.
3. Low import and export rate of goods.

4. Decreased business and investment profits.
5. Reduced manufacturing of products that depend on raw materials.
6. Loss of confidence in companies and consumers.
7. Surplus stocks in companies.

### **Factors affecting the economic effects of the Coronavirus pandemic**

Given the uncertainty of the forecasts for global growth facing health and economic shocks, it is necessary to address the factors affecting the economic effects of the situation, which are: (International Monetary Fund, Update on Global Economic Prospects, p.5)

1. The course of the pandemic, the intensity of efforts to contain, the degree of effectiveness, and the time period for controlling the virus.
2. Presentation disorders.
3. The sharpening of the global financial markets.
4. Shifts in spending patterns and behavioral changes, such as avoiding public transportation.
5. Fluctuations in the prices of primary commodities.
6. Extent of confidence in government measures to respond to the pandemic.



## **Procedures and Policy to Face the Covid-19 Pandemic**

The most prominent challenges that exist are the need to intensify international cooperation to avoid the economic impacts of the virus, strengthen global health systems, reduce human losses, and reduce the period of disease spread, which requires global high-level coordination and unusual and proactive response levels by governments to adopt economic policies to mitigate the effects of the pandemic on Local economies. (International Monetary Fund, Arab Economic Prospects Report, p.3)

## **Global Financial Crises**

The financial crisis is characterized by its sudden and unexpected occurrence and requires immediate interventions and treatments at all levels, whether for individuals, companies or governments, in order to save the total economy from collapse and bankruptcy as a result of this serious event. (Dalal, 2018)

### **The Concept of the Financial Crisis:**

The financial crisis is a sharp and sudden turbulence in economic balances followed by a collapse in a number of financial institutions and their performance indicators and their effects extending to other economic sectors, then followed by a severe turmoil in financial markets (stocks and bonds) accompanied by a rapid development of events, which destabilizes the basic system of countries and financial markets. (Basoul, Abdel Ghanim, 2018)

### **Characteristics of the Financial Pandemic (Cortel, 2010)**

1. Violent surprise when it erupts and attracts all attention from all individuals and related institutions.
2. The complexity, networking, overlap and multiplicity of its elements, factors, causes and powers of interests
3. Ambiguity, lack of information available to the decision maker, and the inability to follow directions.
4. Fear and panic of the unknown within the framework of the pandemic.

### **Stages of financial crises (Fahima, 2014)**

**The stage of appearance:** in which the pandemic begins to appear for the first time, unclear in terms of impact and time period and is due to the absence of information about its causes and the momentum generated for it and here it becomes possible to discover the factors that can lead to the pandemic, and prepare to ensure that it does not happen.

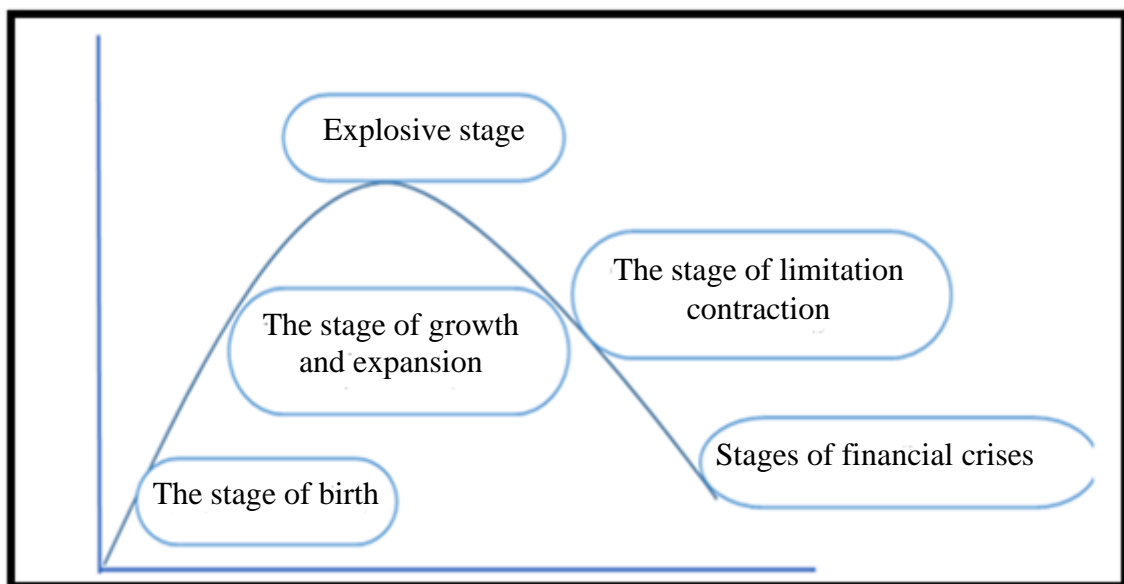
**The stage of growth and expansion:** the feeling of the pandemic grows and is felt by many, and the decision-maker cannot avoid it because of direct pressure, and the entry of new parties, through the extension of its danger, and here the decision-maker must intervene to save it.

**Explosive stage:** The pandemic reaches it when the decision-maker fails to control the pandemic, and at this stage the pandemic reaches its maximum force and violence as it explodes, generating huge energy with different

dimensions and effects, difficult to limit and even measuring its size, after completing control of the pandemic.

**The stage of limitation and contraction:** It is when the pandemic is confronted after its eruption to mitigate and reduce the severity of its effects as it begins to be trapped and loses an important part of its severity and strength.

**The stage of disappearance:** The pandemic reaches this stage when it almost completely loses the momentum generated by it or by its elements. It belongs to it, and then its appearance starts to fade, and the interest and talk about it starts to vanish, except as a historical event started and ended at a certain point of time.



**Figure (2.1): Stages of Financial Crises.**

**Reference: Rizek, K. & Aqoon, A, 2011.**

## **Major Global Financial Crises**

### **1- The Great Depression 1929**

It is considered one of the most severe financial crises witnessed by the global economy, as a result of which shares in the US financial market fell by 13% as the manifestations of the crisis were represented by a decrease in total consumption and a decrease in investments with high unemployment rates (Al-Khazraji,2009)

### **2- The Mortgage Crisis 2008**

The pandemic began in the United States of America due to the global risk of bank loans to the real estate sector as real estate loans were granted to large segments with high interest rates for American banking markets creating a state of panic in the global markets. The collapse and losses of Lehman Brothers began in succession drifting all over the world. The most important of which was the aggravation of the budget deficit, the high debt and the slowing economic growth. (Salman, Abbas, 2009)

Therefore, the immediate causes of the pandemic were the sudden drop in interest rates, the lowest quality mortgage i.e. the mortgage resulting from the mortgage of the property a second time, and finally the financial derivatives. (Bennachi and others, 2018)

### **3- Emergence of the Coronavirus Pandemic (Covid-19): In view of the researcher's opinion)**

What distinguishes Coronavirus (Covid-19) pandemic from the previous crises is that it is a pandemic caused mainly by a health pandemic represented in the spread of a dangerous virus that has resulted in the closure of many sectors, especially the financial markets. It is also a health pandemic with economic and financial repercussions. Hence, in the opinion of the researcher, the contradiction has emerged between the health and the economic aspect. On one hand, the importance of the human element and the necessity of preserving it, and minimizing the negative effects on the economy, on the other.

Therefore, the difference of this pandemic from previous crises is that its source is not the financial markets or the monetary or the economic policies of countries, which makes the methods of dealing with them different from the methods used in the previous crises. In this instance, the monetary policies and the financial measures are to reduce the severity of the pandemic and its impact on the economy and not to address it because its treatment is represented in a vaccine. It makes governments to proceed with the procedures for opening markets, airports and other sectors affected by the closure and declaring a state of emergency in most countries of the world.

## **2.2 Stock Markets**

Stock markets occupy an important role in most of the global economies and have the attention of all developed and developing countries alike and by varying degrees, according to the existing economic philosophy, due to the tools and mechanisms provided by these markets to evaluate projects as well as their primary tasks in financing various economic activities. The financial markets provide the liquidity necessary to achieve sustainable development and the provision of medium and long-term financing for various economic units. (Al-Masry, 2011)

### **Markets Efficiency**

Many researchers defined effective markets where they were first proposed by Fama in 1965 and knew the effective market." It is a capital market where a market is said to be efficient if no one, both individual investors and institutional investors, will be able to obtain abnormal returns, after adjusting for risk, using a trading strategy existing continuously". (Utamia & Darmawan, 2019).

### **Efficient Market Hypothesis (EMH)**

The effective market hypothesis is very important, pointing to the clear fact that investors have only one way to make a bigger profit by investing in high-risk assets where they are mainly darkened by the random traffic model. But many researchers had another point in the effective market hypothesis as to

whether markets were effective or there was no definitive conclusion to the question.

Many researchers came up with definitions of effective capital market, including Malkir, in 2003." a market in which prices fully reflect all known information, and even uninformed investors buying a diversified portfolio at the tableau of prices given by the market will obtain a rate of return as generous as that achieved by the experts.) ” (Alexandra,2015)

### **Effective Market Assumption**

- 1- Investors are supposed to be rational and in addition to the value of securities on the basis of the maximum benefit.
- 2- If investors are not rational, their trading should be random as it reflects on prices.
- 3- Rational arbitrage is assumed to eliminate any impact of irrational investor behavior on market prices. (Alexandra, 2013)

### **Forms of Efficient Market Hypothesis**

#### **1- Weak Form**

The weak model of effective market hypothesis assumes that stock prices are quickly affected when new information arrives on the market, and investors cannot obtain an abnormal return based on previous information. (Alexandra, 2013)

## **2- Semi-strong Form**

The semi-strong hypothesis is consistent with the principle of the premise that current prices are fully reflected with publicly available information (profits, stock division, profit announcement and others). (Alexandra, 2013)

## **3- Strong Form**

The form of a strong effective market hypothesis is concerned with the fact that all information available to the public and investors, and is included in the prices of securities where the investor has no access to monopolistic information, and therefore, the investor cannot obtain income from the average rate in accordance with the expected benefits. (Alexandra, 2013)

### **Accounting Information: The Value of Relevance**

The investor's decision-making depends heavily on the accounting information contained in the financial statements and the following must be financial statements with certain characteristics. "If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable". (Conceptual Framework, 2010: A33)

One of the most important characteristics of financial statements are relevance and faithful presentation. "Relevant financial information is capable of making a difference in the decisions made by users. Information



may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources” (Conceptual Framework, 2010: A33). Besides relevance, financial information is needed to be presented faithfully. “To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable”. (Conceptual Framework, 2010: A34)

Many investors make the investment decision based on assessments of the company's future performance and accounting-based performance measures such as the use of profitability, liquidity and solvency ratios such as ROA, ROE, EPS and others. (Ebaid, 2012)

The value reference concept is not a concept recognized by standard-setting bodies but is limited to the definition of Relevance and reliability where it makes sense that the accounting data recognized in the financial statements are relevant and reliable to reflect the share price. (Ebaid,2012)

## **Financial Performance**

### **Introduction**

The financial evaluation is considered one of the important issues for companies that can examine the financial policy of the company during a

certain period of time, by studying and analyzing the financial statements of the company to understand its implications and know the reasons that lead to its appearance of the quantities and how it is, which helps the company's management to identify weaknesses. And the strength in financial policy to follow financial measures address weaknesses and maintain the strength of the company's financial performance. (Bushra, Hanan, 2018)

### **The Concept of Financial Performance**

It is the ability and efficiency of the company to manage the activity in various administrative, productive, technical, marketing aspects... and others during a specific time period as well as its ability to convert the inputs to outputs with the required quality and quantity. It is a measure to judge the soundness of the financial position of companies during a specific time period." (Awadallah, 2015)

### **The Importance of Financial Performance**

The globalization of markets, the global economy, and the resultant work in highly competitive markets show the importance of financial performance in: (Awadallah, 2015)

1. Monitoring and identifying the activity of the economic institution and its nature.
2. Following up and identifying the financial and economic conditions surrounding it.

3. Assisting in conducting the process of analysis, comparison and evaluation of financial statements.
4. Assisting in understanding the interactive understanding between the financial statements.

### **Financial Ratios for Financial Performance**

The performance of companies is analyzed through changes in the financial position, through financial ratios, the most important of which is the profitability ratios, which are a primary goal for companies and an imperative for continuity as you can use the company's ability to generate profits from its operational activities compared to expenses and costs during a specific period of time besides using them To measure the efficiency of management in using the available resources, which reflects the company's sales volume and profits compared to previous periods, and therefore it is considered an important ratio for shareholders and shareholders to assess the performance of the company that uses the decision to invest in the company's shares or not. (Awadallah, 2015) where the return on assets (ROA) rate will be used in this study. (Puspitaningtyas, 2017)

### **Stock Returns**

Stock returns are defined as profits or losses resulting from investment during a certain period, which are measured by cash distributed over the time period, which is important for the analysis of investment in the company's shares in the sense that the higher the return on shares, the more profitable

the investment resulting from the difference between the selling price and the purchase price per share. (Nurfadila, 2020)

This return is used to measure the performance of the shares by reflecting the change in stock prices on the company's financial objective of maximizing the returns of the stock, where the return per share is used to measure the financial performance of the company (Njunjiri, 2012), as stipulated in the study (Ghi, 2015) by having a positive relationship with many factors affecting the return of shares, namely financial performance, capital structure and equity, as the return on shares is a strategic objective of the investor to be achieved from investment.

### **1) The Rate of Return on Assets (ROA)**

It is defined as an “*indicator that measures the profitability of a company relative to its total assets, and gives the return on assets an idea of how efficient the management is in using its assets to achieve profits, and is the ratio of net profit to total assets (i.e. total current assets and long-term assets)*” (Wang, Fan, 2014) and are calculated as follows:

$$\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$$

The study of (e.g., Siregar, & Sihombing, 2020) which was titled “*Determinant analysis of financial ratio on stock returns in constructions companies registered at Indonesia stock exchange 2025-2019*” dealt with a positive relationship between the rate of return on assets and the market

return of shares of companies listed on the Palestine Stock Exchange, and accordingly the hypothesis of the study is formulated as follows:

**H1a: Return on assets has a positive relationship on the company's stock return.**

**H1b: Coronavirus pandemic moderates the relationship between return on assets and company's stock return.**

## **2) Equity Return Rate (ROE)**

The ROE rate is used to reveal the company's ability to invest its resources in a manner that achieves a great return on property rights, meaning that in the event of a high rate, the company can distribute greater profits than other companies, which affects shareholders' expectations by providing profits from investment in the company's shares, which has The positive effect on the rise in stock prices.

This is what the study (Christina & Robiyanta, 2018) concluded that increasing the ROE rate has a positive effect on stock prices, and therefore the study hypothesis is formulated as follows:

**H2a: Return on equity has a positive impact on stock returns.**

**H2b: Coronavirus pandemic moderates the relationship between return on equity and stock return.**

### **3) The earnings per share ratio (EPS)**

The earnings per share ratio is considered one of the important factors affecting the share price as the earnings per share indicates the unit profit on the ordinary share by dividing the profits after taxes and interest on the number of issued or existing shares in which the number of ordinary shares purchased from the shareholders is intended. The ratio plays an important role in influencing the market value of the stock and its sleep in the market, according to the shareholders' preferences and investment objectives. (Jain & Bajaj, 2017)

Earnings per share is used as an indicator in seeing the attractiveness of the stock through the effect of the earnings per share on investor confidence. The shares are bought and the buyer attaches importance to the earnings per share affecting the share price, (Ngunjiri, 2016). The study showed that the earnings per share greatly affects the price of the shares, i.e. there is a positive relationship between earnings per share and stock prices. On the other hand, the results showed that the earnings per share do not affect the market ratio as a relationship between two variables. Accordingly, the earnings per share affects one variable, which is the stock market prices, but does not affect the ratio of price and price profit to the book value.

The study showed that the stock returns do not mainly reflect the financial performance of the company as there are many other factors that affect the financial performance, including macroeconomic conditions, political positions, government policies, and the technical aspects of the company.

They are factors that affect the returns of shares other than the financial performance of the company, and therefore, it formulates the study hypothesis as follows:

**H3a: Earning per share ratio has a positive effect on stock returns.**

**H3b: Coronavirus pandemic moderates the relationship between earning per share and stock return.**

#### **4) Tobin's Q**

Current studies are moving towards new tools in order to reach a high forecast of stock returns in order to make a better decision with the result that the TQ ratio provides a high forecasting capability for stocks returns. The definition of TQ by researchers is *"the TQ ratio is defined as the market value of a firm divided by the replacement cost of the firm's assets,"* (Parkash, & Singhal, (2017).), it is confirmed by the researchers' findings (Davidson & Others, 2002) in their study on the existence of a relationship between TQ and returns on stocks where it had the highest interpretive power among other variables indicating that TQ has an important role and a high predictability of the company's future performance when the ratio Low TQ leads to high stock returns and vice versa.

Tobin's Q is one of the most important indicators of the company's value, showing the market value of total capital assets divided by the replacement cost of those assets, and the first to propose the Concept of Tobin's Q is global economist James Tobin. (Alghifari, Triharjono, & Juhaeni,2013)

James Tobin's assumption of Q concept was that the combined market value of all companies on the stock market should be equal to the costs of their replacement, and companies with a Q value of 0-1 would be attractive to potential buyers rather than setting up a similar company and then increase interest in them and increase their value, unlike companies with a higher than 1% of the top 1 where they are experiencing great competition because they earn a higher rate of return than the cost of replacement. (Yvonney, 2019)

Among the studies that examined the relationship between ROA and Tobin's Q study (Alghifari, Triharjono, & Juhaeni, 2013) "Effect of Return on Assets (ROA) Against Tobin's Q: Studies in Food and Beverage Company in Indonesia Stock Exchange Years 2007-2011", where among the results of the study is the existence of a direct relationship between ROA and Tobin's Q, and therefore, the hypothesis of the study is as follows:

**H4a: Return on asset has a positive impact on Tobin's Q.**

**H4b: Covid-19 moderates the effect of ROA on Tobin's Q.**

One of the studies that took the Q index as one of the most important indicators to measure the value of the company and predict its future performance, including the study (Yvonney, 2019) "Tobin's Q and its Determinants: A study on Huawei Technologies Co., Ltd.," where the study community took Huawei, and the study aimed at studying the impact of Tobin's Qi with the company's factors from 2011 to 2015, using the ROE



factor, and the result was The study had a significant effect of ROE on Tobin's Kew. From here, we derive the hypothesis of our study, which is:

**H5a: Return on equity ROE has a positive impact on Tobin's Q.**

**H5b: Covid-19 moderates the effect of ROE on Tobin's Q.**

In addition to previous studies, there are many researchers who have studied the impact of profitability variables on the Tobin's Que Index, and among these variables is EPS, which is one of the most important profitability ratios because it helps investors make *decisions at first sight, and among these studies* (Gharaibeh, & Qader,. (2017),” *Factors influencing firm value as measured by the Tobin's Q: Empirical evidence from the Saudi Stock Exchange (TADAWUL)* “which They took the study sample consisting of 40 companies from 6 sectors listed on the Saudi Stock Exchange and it was among the factors that affect Tobin's Q and had a positive impact on the value of the company, and from here we derive the hypothesis of our study, which is as follows:

**H6a: Earning per share (EPS)ratio has a positive effect on Tobin's Q.**

**H6b: Covid-19 moderates the relationship of EPS on Tobin's Q.**

## **5) Price of Earnings Ratio**

The decision to invest in any company is based on the expectation of the future performance of the company and the evaluation of the company's performance by the investor by relying heavily on the relative valuation,

especially the price-to-earnings ratio P/E. It is measured by dividing the market value of the share by the profit earned per share. This percentage indicates the number of times the share price exceeded to profit for shares and therefore shows the investor's desire to pay each unit of the company's revenue. (Sezcoin, 2010)

(Şamiloglu., Oztop, & Kahraman, 2017) study checks the company's profitability performance indicators (ROA and ROE) as child variables. The independent variables are DY, PE, PB and EPS. The sample was from 51 companies in BIST over ten years from 2006 to 2015. Among the results were a significant negative relationship between ROA and the P/E variant, and a significant negative relationship between ROE and the P/E variable. Hence the following hypotheses:

**H7a: Return on assets (ROA) has a positive impact on Price to earnings ratio (P-E).**

**H7b: Covid-19 moderates the effect of ROA on Price to earnings ratio (P-E).**

(Wan-Ting, 2014) study examines the relation between the forward price-to-earnings (P/E) ratio and profitability. This paper finds a U-shaped relation between the forward P/E ratio and return on equity (ROE). Besides, firms with high P/E ratios tend to have lower ROE in the subsequent years, and their ROE is very volatile and wide-distributed. Hence the following hypotheses is formed:

**H8a: Return on equity ROE has a positive impact on Price to earnings ratio (P-E).**

**H8b: Covid-19 moderates the effect of ROE on Price to earnings ratio (P-E).**

In (Beaver & Morse, 2010) study, researchers have found that the initial differences in the portfolio continue to be studied until 14 years. The P/E ratio constitutes a negative relationship with profit growth (EPS) in the early years of the portfolio and a positive relationship in subsequent years, indicating that investors only predict in short-term periods. The negative and positive P/E correlation is commensurate with market risk. Hence the following hypotheses is formulated:

**H9a: Earning per share (EPS)ratio has a positive effect on Price to earnings ratio (P-E).**

**H9b: Covid-19 moderates the effect of EPS on Price to earnings ratio (P-E).**

## **6) Stock Trading by Volume**

The volume of trading indicates the share prices of listed companies as an important indicator of the performance of the financial market. The whole volume of trading of shares is high indicating the preoccupation of a large number of shares, and one of the ratios used to measure the volume of trading, which is (Trade Volume activity) because of its impact on the

revenue of shares. This ratio can be calculated by dividing the number of shares traded by the number of shares traded on the number of shares listed. The fact that the ratio is close to one is true indicator that the volume of trading is normal and vice versa. The result showed a positive relationship between stock returns and trading volume. (Nugraha,2020)

### **7) Leverage ratio**

This ratio means the company's ability to face the obligations and continuity in the market for the longest possible period as it indicates the company's ability to face adverse working conditions and resilience without exposure to losses or financial insolvency. Therefore, this ratio is concerned with measuring the company's ability to pay debts by calculating the ratio of debt to rights ownership, which is an important measure that indicates the margin of safety for creditors, shareholders and investors in the company, as well as an indication of the company's dependence on debt and borrowing or shareholders' equity (equity) to finance its activities and operations. (Wijaya & Yustina, 2017)

A study by (Chasanah, Sucipto, 2019) showed that the solvency ratio that measures the debt ratio has no effect on stock returns, which is the increase and decrease in profitability ratios that does not affect the returns of shares after the capital structure based on the fact that the use of debt will be more alive than the use of capital of the private sector, especially through borrowing from banks, where the company's use of debt does not affect the returns of the shares when the company's financial conditions are strong.

## **8) The Company Size**

The growth rate reflects the company's ability to maintain its economic position, meaning that a high rate of growth means that the company has an opportunity to earn extra profits, which is measured through the growth rate of sales, that is, the change in sales during a specific time period. The higher the rate of sales grow, the higher the company's ability to cover obligations. In addition to encouraging the shareholders to invest in the company's shares, the market value of the company's shares is increased. The (Mazviona & Nyangara,2014) study showed that the growth rate has a positive yet insignificant effect on stock returns for companies listed on the ZSE for the period June 2009 to July 2013.

## **Chapter Three**

# **The Study Methodology**

## Chapter Three

### The Study Methodology

#### 3.1 Population, sample, and Sampling Technique

In order to fit the phenomenon within the study (the Emergence of Covid-19 Pandemic), the descriptive approach will be used by following the method of financial analysis of the financial statements of the companies listed on Palestine Exchange during the first three quarters of the years 2019 and 2020. It will be divided into independent and dependent variables, which will be mentioned later, and therefore, the study sample consists of the following table (1):

**Table (1): Palestine Exchange Sectors**

No.	Sector	Q	Percent
1	Banking sector	7	0.20
2	Services sector	5	0.20
3	Industry sector	8	0.28
4	Investment sector	10	0.22
5	Insurance sector	6	0.15
<b>Total</b>		<b>36</b>	<b>100%</b>

#### 3.2 Data and Data Collection Methods

As it provides a coherent framework for analyzing and collecting data (Bryman & Bell 2013), this study applied quantitative approached through using secondary data collected from DataStream. The previous financial performance and the company's value study employed panel data method. Therefore, this study utilizes a similar panel data method to investigate the implication of coronavirus pandemic into the relationship between company

performance and its value. This study restricts its sample to the 36 publicly listed companies on the Palestine Exchange (PES) with a period of two years (2019 & 2020). Table 1 shows the study descriptive data in terms of sample. Firms that were excluded from this study due to not having financial data for the year 2019 and 2020 by the time of conducting. The extracted data from the records is treated as primary information. They are focused for such purpose, and other data is contained in Arabic and English books, theses, magazines and scientific articles, as well as the official news on the Internet and daily newspapers.

### **3.3 Method of Analysis**

We use STATA software version 14.2 to select the appropriate model for linear regression analysis. Panel data is used to analyze the relationship between financial performance (e.g., ROA, ROE, and EPS) and company's value (e.g., stock returns, Tobin's q and price to earnings ratio). Correlation matrix and linear regression analysis are considered a tool to analyze the research hypotheses. Regression model is showing the relationship between financial performance and company value. The framework of relationship between each variable can be seen in the model below:

#### **Model 1:**

$$R_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 EPS_{it} + \beta_4 Lev_{it} + \beta_5 TBV_{it} + \beta_6 Size_{it} + \beta_7 year_{it} + \varepsilon_{it}$$

Where,  $\alpha$  is the intercept,  $\beta$  is the regression coefficient and  $\varepsilon$  is the error



- **R:** Quarterly Stock return.
- **ROA:** Quarterly Return on Assets is calculated by dividing a company's net income by average total assets.
- **ROE:** Quarterly Return on Equity is calculated by dividing net income by shareholders' equity.
- **EPS:** Quarterly earnings per share equal net Income less preference dividends divided by number of shares.
- **Turnover by Volume:** divide the total number of shares traded during the measurement period by the average number of shares available for sale.
- **leverage ratio:** that look at how much capital comes in the form of debt (loans) or assesses the ability of a company to meet its financial obligations.
- **Size:** firm size is Quarterly logarithm of total assets.
- **Year:** 2019, 2020.

**Model 2:**

$$TQ_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 EPS_{it} + \beta_4 Lev_{it} + \beta_5 TBV_{it} + \beta_6 Size_{it} + \beta_7 year_{it} + \varepsilon_{it}$$

Where,  $\alpha$  is the intercept,  $\beta$  is the regression coefficient and  $\varepsilon$  is the error

- **Tobin's Q:** equals the market value of a company divided by its assets' replacement cost.

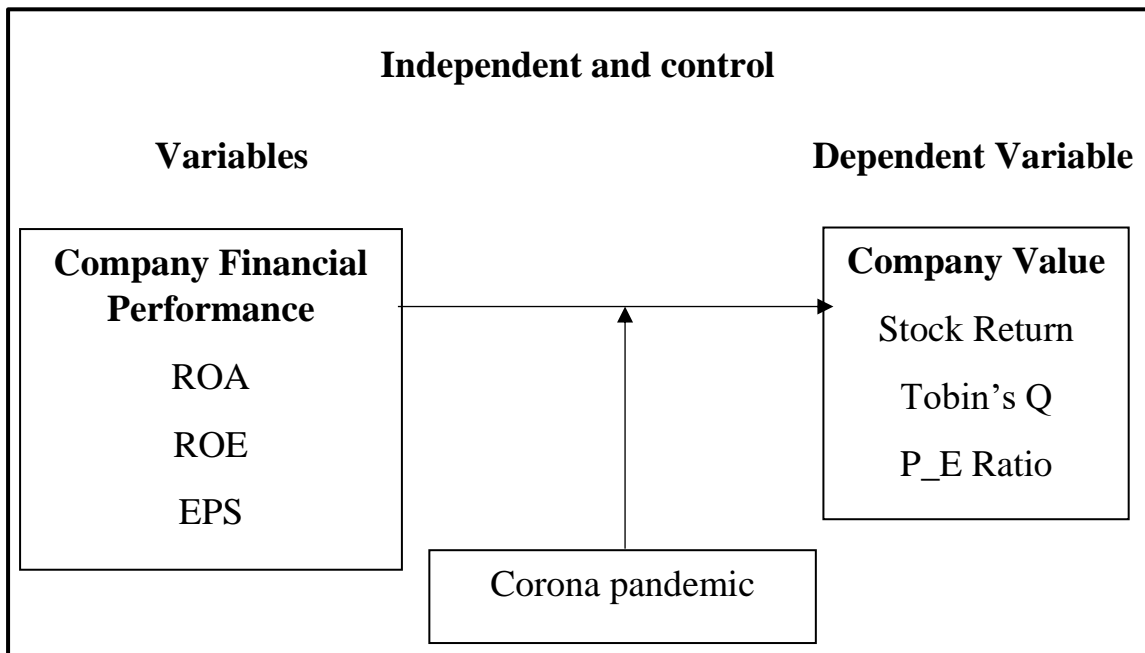
### Model 3:

$$PE_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 EPS_{it} + \beta_4 Lev_{it} + \beta_5 TBV_{it} + \beta_6 Size_{it} + \beta_7 year_{it} + \varepsilon_{it}$$

Where,  $\alpha$  is the intercept,  $\beta$  is the regression coefficient and  $\varepsilon$  is the error.

- **P\_E Ratio:** The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS).

### 3.4 Research Model



**Figure (3.1): Research Model.**

Source: Developed by researcher.

**So all study variables can conclude as:**

No	Variable	kind	How to measure
1-	Stock Return (R)	dependent	$r(t) = \ln(P(t) / P(t-1))$
2-	Tobin's Q	dependent	market value of a company /assets' replacement cost.
3-	P-E Ratio	dependent	Market value per share/EPS
4-	ROA	independent	Net Income/Total Assets
5-	ROE	independent	Net Income/Average Shareholders' Equity
6-	EPS	independent	((net Income -preference dividends)/ number of shares))
7-	Traded by Volume	control	the total number of shares traded during the measurement period / the average number of shares available for sale.
8-	Leverage ratio	control	Total Liabilities/Total Shareholder' Equity
9-	Size	control	Natural logarithm of total assets.
10-	Year Dummy	Year Dummy	The impact of the CORONA virus in 2020 compared to 2019

**Figure (3.2): Study Variables.**

# **Chapter Four**

## **Results and Recommendations**

## Chapter Four

### Results and Recommendations

#### 4.1 Results

##### 4.1.1 Multi-collinearity

The correlation test explains the correlation score between the study variables. Multi-collinearity phenomena occurs when the correlation analysis shows high score between two or more variables in the same model (Sekaran & Bougie 2010). Based on Gujarati and Porter (2009) and Pallant (2011) they argued that the multi-collinearity problem occurred when the correlation score among two variables is higher than 0.8 or 0.9, whereas Kennedy (2008) proposed the correlation score is higher than 0.7. Table (2) presents Pearson's correlation between independent variables (ROA, ROE, EPS) and dependent variables (Stock return, TQ, P/E). Thus, the correlation matrix discloses that none of the coefficient scores are exceeding the benchmark at the level of 0.

The existence of multi-collinearity problem among independent variables was tested by calculating the Variance Inflation Factor (VIF) values. VIF results in Table (3,4,5,6,7,8) show that there is not a multi-collinearity problem in the model. In other words, the VIF statistic values for all the independent variables are smaller than 5, indicating that the multi-collinearity is insignificant.

**Table (2): Pearson's correlation between financial performance (ROA, ROE, EPS) and firm value (Stock return, TQ, P/E)**

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Stock Return	1.000								
(2) P_E Ratio	-0.155	1.000							
(3) lnTQ	0.336*	-0.042	1.000						
(4) ROE	0.497*	-0.030	0.110	1.000					
(5) ROA	0.529*	-0.048	0.370*	0.809*	1.000				
(6) EPS	0.224*	-0.374*	0.051	-0.117	0.123	1.000			
(7) TA	-0.049	-0.070	-0.401*	0.064	-0.164	-0.222*	1.000		
(8) Leverage	-0.169	-0.013	-0.371*	-0.161	-0.332*	-0.100	0.726*	1.000	
(9) Turnover	-0.178*	0.019	-0.167	0.025	-0.166	-0.217*	0.424*	0.416*	1.000
(10) corona	0.006	0.073	-0.020	-0.102	-0.076	-0.041	0.032	0.023	-0.200*

*Note: \*p < 10%, \*\*p < 5%, \*\*\*p < 1%.*

### 4.1.2 Correlation Analysis

As discussed in section 3, the significant issue for correlation statistical analysis is to explain the direction and relationship of the linear association between two variables. Before testing the linear regression analysis, the correlation matrix reported the predicting association between this study's variables. The significant correlation between variables does not assure the prediction between variables. Therefore, the linear regression statistical analysis is applied to predict the association between a dependent variable and independent variables. The following section will discuss the linear regression analysis.

According to the results of the correlation factor analysis shown in Table 2, which includes the correlation transaction between independent and dependent variables, the matrix showed a strong and positive correlation between the Stock return variable and the ROA independent variable with the value of the link coefficient (0.529) at the significant level 10%, followed by a strong and positive correlation with the ROE variable where the correlation value was (0.497).

For the second dependent variable, P\_E results show a strong negative correlation with the EPS variable with correlation value (-0.374) at the significant level 10%.

Additionally, there is a strong and positive correlation with the third dependent variable TQ with the ROA independent variable with a correlation

coefficient value (0.370), at a 10% significant level, and a strong negative correlation with (LEV, TA) control variables. However, the results of the link analysis showed a strong and large correlation with independent variables with each other, such as the ROA variable with a ROE variable of (0.805) at a 10% significant level, and a strong and complete positive correlation with TA control variables and LEV variable with a correlation value (0.726).

#### **4.1.3 Empirical Result of Panel Data Analysis**

This study employed panel data to match with this study's objectives and research questions. Therefore, this study tested additional statistical tests related to panel data before testing the linear regression. Firstly, Breusch and Pagan Lagrangian multiplier test was conducted in STATA software version 14.2 to select the appropriate model for regression linear analysis. This test chose the best model between Ordinary Least Squares (OLS) or Random Effect Model (REM). More specifically, the null hypothesis ( $H_0$ ) claims that if the p-value (the prob chi-square) is more than  $\alpha$  level (0.05). In this case, the null hypothesis is accepted, then the OLS is the suitable model. Whereas the p-value of this test is less than 0.05. In this case, the null hypothesis is rejected, then the REM is the suitable model. Table 6, 7, 8 show the Breusch and Pagan Lagrangian multiplier results for the all study's models (9-model).



## **Hypothesis Testing**

This study has 18 models which were carried out to test the research hypotheses. Table 3 provides the summary of random and fixed effect model for the direct hypothesis. While the Table 4 provides the summary of random effect model for the second depended variable which is Tobin's' q (TQ). Table 5 provides the summary of random effect model for the third dependent variable which is price to earnings ratio (P/E). Table 6, 7, 8 present the results for Corona pandemic as a moderating factor for the three dependent variables.

### **4.1.3.1 Financial performance and stock return**

**H1a:** Return on assets has a positive relationship on the company's stock return.

**H2a:** Return on equity has a positive impact on stock returns.

**H3a:** Earning per share ratio has a positive effect on stock returns.

**Table (3): Random and Fixed Effect Regression Models of ROA, ROE, and EPS to Stock Return**

Variables	Stock Return	Stock Return	Stock Return
ROA	0.0193***		
	-2.19		
ROE		0.0039	
		-1.08	
EPS			0.0861
			-1.07
TA	0.0002	0	0
	-0.62	-0.12	-0.74
Leverage	0.0017*	0.00125	0.0017
	-1.7	-1.19	-1.35
Turnover_by_volume	0.0048***	0.0044**	0.0005**
	-3.32	-2.91	-3.32
Cons	1.706***	1.829***	1.757***
	-15.99	-8.18	-16.55
N	216	216	216
VIF Test	1.76	1.78	1.72
Breusch and Pagan Lagrangian Test	486.20***	450.93***	502.39***
Hausman Test	26.66***	4.48	61.50***
Best Model	Fixed Effect	Random Effect	Fixed Effect
R-sq	10%	8%	8%
Prob > F	0.0000***	0.0107**	0.0039***

\*p< 10%, \*\*p< 5%, \*\*\*p< 1% .

*Note: Stock return: firm's stock return (dependent variable), ROA: Return on Assets, ROE: Return on equity, EPS: earning per share. Model 1 examines the relationship between ROA and Stock Return, Model 2 examines the relationship between ROE and Stock Return, Model 3 examines the relationship between EPS and Stock Return, t statistics in parentheses.*

Table (3) shows that there is a positive significant relationship between return on asset (ROA) and stock return. Result shows that there is a positive and significant value (t-value 0.193) and significant level at 1%. This result indicates that when company has a good financial performance through higher return on assets, the company would have a higher value through higher stock return. This result is supported with prior research (e.g., (e.g., Siregar, & Sihombing,2020). Model 1 shows that the first hypothesis which says ROA has a positive and significant relationship on company financial performance. However, ROE and EPS does not have relationship with stock return. Hence, hypotheses two and three are rejected.

▪ **Does company financial performance influence company's value?**

Referring to the first question of the study questions in the first part of the value of the company (stock return), where there is a relationship between the financial performance (ROA) and the value of the company (return of stock).

#### **4.1.3.2 Financial Performance and Tobin's Q**

**H4a:** Return on asset has a positive impact on Tobin's Q.

**H5a:** Return on equity ROE has a positive impact on Tobin's Q.

**H6a:** Earning per share (EPS)ratio has a positive effect on Tobin's Q.

**Table (4): Random Effect Regression Models of ROA, ROE, and EPS to Tobin's q ratio**

Variables	(1)	(2)	(3)
	ln TQ	ln TQ	ln TQ
ROA	0.0205**		
	-2.06		
ROE		0.0029	
		-0.58	
EPS			0.1501*
			-1.73
TA	-0.0087***	-0.0086***	-0.0081***
	(-3.77)	(-3.66)	(-3.85)
leverage	0.0033***	0.0029***	0.0031***
	-2.73	-2.46	-2.75
Turnover_by_volume	0.0031***	0.0029**	0.0031***
	-2.16	-2.03	-2.19
Cons	-7.004***	-6.930***	-6.977***
	(-19.36)	(-19.14)	(-18.56)
N	216	216	216
VIF Test	1.76	1.78	1.72
Breusch and Pagan Lagrangian Test	528.38***	532.64***	534.68***
Hausman Test	0.2134	0.9651	0.9238
Best Model	Random Effect	Random Effect	Random Effect
R-sq	37%	34%	36%
Prob > F	0.0000***	0.0000***	0.0000***

\*p< 10%, \*\*p< 5%, \*\*\*p< 1%.

*Note: lnTQ: firm's Tobins' Q (dependent variable), ROA: Return on Assets (independent variable), ROE: Return on equity (independent variable), EPS: earning per share (independent variable). Model 1 examines the relationship between ROA and Stock Return, Model 2 examines the relationship between ROE and Stock Return, Model 3 examines the relationship between EPS and Stock Return, t statistics in parentheses,*

The Fourth hypothesis is stated that there is a positive significant relationship between return on asset (ROA) and Tobin's q. Table (4), model 1 presents

result that indicate a positive and significant value (t-value 0.0205) and significant level at 5%. This result is supported with prior study (e.g., *Alghifari, Triharjono, & Juhaeni, 2013*). This result indicates that when company has a high performance in terms of ROA, the company has higher Tobin's q. Hence, hypothesis H4a is accepted.

However, there is no relationship between return on equity and Tobin's Q ration at Palestinian publicly listed companies. Table (4) model 2 shows the relationship between ROE and Tobin's Q where the relationship is not significant and positive. Therefore, the H5a is rejected.

Table (4), model 3 presents the relationship between earning per share (EPS) and Tobin's q. Hypothesis H6a stated that there is a positive significant relationship between EPS and Tobin's q. Result shows that there is a positive and significant value (t-value 1.501) and significant level at 10%. This result is supported with past study (e.g., *Gharaibeh, & Qader, (2017)*). This result indicates that when firm has a high performance in terms of EPS, the firm have higher Tobin's q. Hence, (H6a) hypothesis is accepted.

▪ **Does company financial performance influence the company's value?**

Based on the first question of the study questions, there is a relationship between the financial performance (ROA, EPS) and the company's value (Tobin's Q).

### 4.1.3.3 Financial Performance and Price to Earnings

**H7a:** Return on assets (ROA) has a positive impact on Price to earnings ratio (P-E).

**H8a:** Return on equity ROE has a positive impact on Price to earnings ratio (P-E).

**H9a:** Earning per share (EPS)ratio has a positive effect on Price to earnings ratio (P-E).

**Table (5): Random Effect Regression Models of ROA, ROE, and EPS to P/E Ratio**

Variables	(1)	(2)	(3)
	P/E Ratio	P/E Ratio	P/E Ratio
ROA	-0.254		
	(-0.50)		
ROE		0.0669	
		-0.26	
EPS			-28.46***
			(-5.66)
TA	0	0	0
	(-0.59)	(-0.68)	(-1.48)
Leverage	0.0376	0.0504	0.0498
	-0.63	-0.85	-0.96
Turnover_by_volume	-0.0012	-0.0012	-0.0014
	(-0.95)	(-0.97)	(-1.21)
Cons	18.20***	16.40***	27.48***
	-4.38	-4.28	-7.86
N	216	216	216
VIF Test	1.76	1.78	1.72
Breusch and Pagan Lagrangian Test	146.81***	146.74 ***	133.38***
Hausman Test	0.48	2.85	2.31
Best Model	Random Effect	Random Effect	Random Effect
R-sq	1.20%	1.30%	20%
Prob > F	0.7922	0.8251	0.0000***

\*p< 10%, \*\*p< 5%, \*\*\*p< 1%.

*Note: P/E: firm's price to earnings (dependent variable), ROA: Return on Assets, ROE: Return on equity, EPS: earning per share. Model 1 examines the relationship between ROA and P/E, Model 2 examines the relationship between ROE and P/E, Model 3 examines the relationship between EPS and P/E, t statistics in parentheses,*

The ninth hypothesis is stated that there is a significant relationship between earning per share (EPS) and price to earnings (P/E ratio). Table 5, model 3 shows that there is a negative value (t-value -28.46) and significant level at 1% between EPS and P/E Ratio. This result indicates that when firm has a high performance in terms of EPS, the firm have lower P\_E ratio. This result is supported with (Beaver & Morse, 2010) study. Thus, the ninth hypothesis is accepted.

- **Does the company's financial performance influence the company's value?**

As has been discussed in the study's question section above, there is a relationship between the financial performance (EPS) and the value of the company (P/E ratio).

## **Moderating Covid-19 “Corona”**

### **4.1.3.4 Moderating role of corona on the relationship between financial performance and Stock Return**

**H1b:** Coronavirus pandemic moderates the relationship between return on assets and company’s stock return.

**H2b:** Coronavirus pandemic moderates the relationship between return on equity and stock return.

**H3b:** Coronavirus pandemic moderates the relationship between earning per share and stock return.



**Table (6): Random and Fixed Effect Regression Models of moderating role of ROA\*Corona, ROE\*Corona, and EPS\*Corona to Stock Return**

Variables	(1)	(2)	(3)
	Stock Return	Stock Return	Stock Return
ROA	0.0233**		
	-1.89		
ROA*Corona	-0.0023		
	(-0.45)		
ROE		0.0041	
		-0.93	
ROE*Corona		0.0008	
		-0.27	
EPS			0.1058
			-1.27
EPS*Corona			-0.0397
			(-0.69)
Corona	0.0308	0.0062	0.0182
	-0.8	-0.2	-0.61
TA	0	0	0
	-0.15	(-0.13)	-0.07
Leverage	0.0016	0.0014	0.0013
	-1.2	-1.22	-1.23
Turnover_by_volume	0.0001***	0.0001***	0.0001***
	-3.2	-2.84	-3.1
Cons	1.725***	1.839***	1.819***
	-14.28	-8.25	-7.56
N	216	216	216
VIF Test	2.08	2.28	2.09
Breusch and Pagan Lagrangian Test	487.55***	448.34***	503.34***
Hausman Test	64.08***	4.31	5.28
Best Model	Fixed Effect	Random Effect	Random Effect
R-sq	11%	8%	8%
Prob > F	0.0027***	0.0393**	0.0251**

\*p< 10%, \*\*p< 5%, \*\*\*p< 1%.

*Note: stock return: firm's stock return (dependent variable), ROA: Return on Assets, ROE: Return on equity, EPS: earning per share. Corona: corona pandemic, ROA\*Corona: interaction term between ROA and corona,*

*ROE\*Corona: interaction term between ROE and corona, EPS\*Corona; interaction term between EPS and corona. Model 1 examines the relationship between ROA and stock return, Model 2 examines the relationship between ROE and stock return, Model 3 examines the relationship between EPS and stock return, t statistics in parentheses,*

The (the first (b), second(b), and third (b)) hypothesis is stated that coronavirus pandemic is moderating the relationships among the financial performance (ROA, ROE, EPS) and the stock return. Table (6) shows that that there the moderating factor (**ROA \*Corona**), (**ROE \*Corona**), (**EPS \*Corona**) has no moderating effect on stock return. This result indicates that coronavirus does not have effect on the relationship between ROA, ROE, EPS and stock return. Table 6 presents 3 models of financial performance towards stock return. Coronavirus's pandemic shows that it is not significantly affecting the stock return. Thus, the hypothesis (H1b, H2b & H3b) is rejected.

- **Does the return on assets affect the stock return during the coronavirus pandemic?**
- **Does the return on equity affect the stock return during the coronavirus pandemic?**
- **Does the earning per share affect stock return during the coronavirus pandemic?**

Answering the questions related to the above-mentioned study, which are questions related to the first section (Stock return), the researcher concluded that there is no effect of the coronavirus pandemic on the relationship between the financial performance and the stock return.

#### **4.1.3.5 Moderating the role of coronavirus on the relationship between the financial performance and the Tobin's Q.**

**H4b:** Covid-19 moderates the effect of ROA on Tobin's Q.

**H5b:** Covid-19 moderates the effect of ROE on Tobin's Q.

**H6b:** Covid-19 moderates the relationship of EPS on Tobin's Q.

**Table (7): Random Effect Regression Models of moderating role of ROA\*Corona, ROE\*Corona, and EPS\*Corona to Tobin's q ratio**

Variables	(1)	(2)	(3)
	lnTQ	lnTQ	lnTQ
ROA	0.0125*		
	-1.93		
ROA*Corona	-0.0073**		
	(-2.46)		
ROE		0.0026	
		-0.92	
ROE*Corona		-0.0047**	
		(-2.55)	
EPS			0.127**
			-2.36
EPS*Corona			0.0502
			-1.34
Corona	-0.0192	-0.0294	-0.0783***
	(-0.99)	(-1.51)	(-4.01)
TA	-0.0001***	-0.0001***	-0.0001***
	(-6.96)	(-5.66)	(-5.80)
Leverage	0.0027***	0.0023***	0.0030***
	-3.8	-3.29	-4.55
Turnover_by_volume	0.0001**	0.0001**	0.0001
	-2.46	-2.14	-1.45
Cons	-6.997***	-7.020***	-7.060***
	(-21.32)	(-20.49)	(-20.00)
N	216	216	216
VIF Test	2.08	2.28	2.09
Breusch and Pagan Lagrangian Test	525.97***	527.60***	534.55***
Hausman Test	1.42	2.16	1.01
Best Model	Random Effect	Random Effect	Random Effect
R-sq	43%	43%	43%
Prob > F	0.0000***	0.0000***	0.0000***

*Note: lnSR: logarithm of firm's stock return, t statistics in parentheses, \*p< 10%, \*\*p< 5%, \*\*\*p< 1%*

This study analyzes the role of the corona pandemic on the association between the financial performance and Tobin's' Q. Examining the moderating hypothesis, the interaction term is the key factor of interest here.

(i.e., ROA\*Corona, ROE\*Corona, and EPS\*Corona). The interaction term represents the disparity between the periods before and after coronavirus pandemic. The following hypothesis is that coronavirus pandemic is moderating the relationships between the financial performance (ROA, ROE, EPS) and Tobin's q. Table (7) presents 3 models of financial performance towards Tobin's q. Table (7), model 1 shows a negative coefficient of ROA\*Corona (p value significant at the 5% level) states that when controlling for other variables, the average increase in Tobin's q led by the ROA is higher for firms in which corona virus is affected. This result indicates that coronavirus weakens the association between ROA and Tobin's q. It also indicates that coronavirus has negative effect towards the company's performance and its value. Hence, the hypothesis (H4b) is accepted.

Moreover, the interaction coefficients of the interaction terms ROE\* coronavirus. (Table 7, model 2) has a negative coefficient with (p value significant at the 5% level) states that when controlling for other variables. The average increase in Tobin's Q led by the ROE is higher for firms in which coronavirus is affected. This result indicates that coronavirus weakens the association between ROE and Tobin's q. It also indicates that coronavirus has negative effect towards the company's performance (ROE) and its value (Tobin's Q). Hence, the hypothesis (H5b) is accepted. The result indicates that when value of ROE decreased the value of TQ and indicates the low performance of the company, the financial performance is one of the

considerations in determining their investment decisions. Hence, the hypothesis (H5b) is accepted.

The following hypothesis is stated that coronavirus pandemic is moderating the relationship between EPS and Tobin's q. The result shows that there is the moderating factor (**EPS\*Corona**) that has a significant value (t-value - 0.0783) and significant level at 5%. This result indicates that coronavirus weakens the relationship between EPS and Tobin's Q. Hence, the hypothesis (H6b) is accepted.

- **Does the Return on assets affect the Tobin's Q during the coronavirus pandemic?**

In response of the study's question mentioned above, it was found from the results of the hypothesis that there was an effect of the coronavirus pandemic on the relationship between ROA and Tobin's Q, as the pandemic had a negative impact on the relationship.

- **Does the Return on equity affect the Tobin's Q in the light of the coronavirus pandemic?**

Answering the study's question of the above mentioned, it was found from the results of the hypothesis that there was an effect of the coronavirus pandemic on the relationship between ROE and Tobin's Q, as the pandemic had a negative impact on the relationship.

- **Does the Earning per share affect Tobin's Q during the coronavirus pandemic?**

Revealing the question of the study mentioned above, it was found from the results of the hypothesis that there was an effect of the Corona pandemic on the relationship between EPS and Tobin's Q, as the pandemic had a negative impact on the relationship.

#### **4.1.3.6 Moderating role of corona on the relationship between financial performance and Price to earnings ratio**

**H7b:** Covid-19 moderates the effect of ROA on price to earnings ratio (P-E).

**H8b:** Covid-19 moderates the effect of ROE on price to earnings ratio (P-E).

**H9b:** Covid-19 moderates the effect of EPS on Price to earnings ratio (P-E).

**Table (8): Random Effect Regression Models of moderating role of ROA\*Corona, ROE\*Corona, and EPS\*Corona to P/E Ratio**

Variables	(1)	(2)	(3)
	P/E Ratio	P/E Ratio	P/E Ratio
ROA	0.379		
	-0.74		
ROA*Corona	-1.518***		
	(-3.79)		
ROE		0.608**	
		-2.01	
ROE*Corona		-0.729***	
		(-2.92)	
EPS			-25.95***
			(-4.81)
EPS*Corona			-6.323
			(-1.30)
Corona	8.329***	7.791***	3.714
	-3.39	-2.99	-1.56
TA	0	0	-0.0000*
	(-0.51)	(-0.62)	(-1.70)
leverage	-0.0044	0.02	0.0546
	(-0.08)	-0.34	-1.03
Turnover_by_volume	0.0004	-0.000212	-0.000736
	-0.3	(-0.16)	(-0.58)
Cons	15.11***	11.73**	25.71***
	-3.58	-2.9	-6.86
N	216	216	216
VIF Test	2.08	2.28	2.09
Breusch and Pagan Lagrangian Test	164.12***	156.17***	135.17***
Hausman Test	1.32	3.24	3.01
Best Model	Random Effect	Random Effect	Random Effect
R-sq	9%	8%	15%
Prob > F	0.0075 ***	0.0661*	0.0000***

Note: *t* statistics in parentheses, \**p*< 10%, \*\**p*< 5%, \*\*\**p*< 1%.

This study also analyses the moderating impact of coronavirus on the association between the components of financial performance indicators and



the firm's value indicators of sample publicly listed firms in Palestine. Table (8) presents 3 models of financial performance indicators towards Price to Earnings ratio (P/E). Table (8), model 1 shows a negative coefficient of ROA\*Corona (p value significant at the 1% level) states that when controlling for other variables, the average increase in P/E ratio led by the ROA is higher for firms in which corona virus is affected. Seventh hypothesis is stated that corona pandemic (Corona) is moderating the relationship between ROA and P-E. Result shows that there the moderating factor (**ROA\*Corona**) have a significant value (t-value -1058) and significant level at 1%. This result indicates that Coronavirus weakens the relationship between ROA and P-E. Hence, the hypothesis (H7b) is accepted.

The following hypothesis is stated that coronavirus pandemic is moderating the relationship between ROE and P-E. The result shows that there the moderating factor (**ROE\*Corona**) has a significant value (t-value -0.0047) and significant level at 1%. This result indicates that the coronavirus weakens the relationship between ROE and P-E. That increased the value of ROE decreased the value of P-E and indicates the low performance of the company. Hence, hypothesis (H8b) is accepted.

- **Does the Return on assets affect P/E ratio during the coronavirus pandemic?**

Answering the above-mentioned question, it was found that there was an impact of the coronavirus pandemic on the relationship between ROA and P/E ratio, where the relationship was negative.

- **Does the Return on equity affect the P/E ratio during the coronavirus pandemic?**

As for the penultimate question of the study questions mentioned above, it was found that there was an effect of the coronavirus pandemic on the relationship between ROE and P/E ratio, where the effect was negative on the relationship.

- **Does the Earning per share affect the P/E ratio during the coronavirus pandemic?**

To answer the last question of the study, it was found that there was no effect of the Corona pandemic on the relationship between P/E ratio and EPS.

#### **4.2 Recommendations**

1. The first results of the study were a positive relationship between stock return and ROA, which is consistent with the study (e.g., (e.g., *Siregar, & Sihombing, 2020*)), in addition to showing that there is no relationship between (ROE, EPS) and Stock return.
2. The results of the hypothesis test also showed a positive relationship between (ROA, ROE, EPS) and (TQ), which is consistent with the results of the (e.g., *Alghifari, Triharjono, & Juhaeni, 2013*) study.
3. There is a relationship between EPS and P/E with no relationship between ROA and ROE with P/E.

4. The coronavirus pandemic has no effect on the relationship between the financial performance of companies listed on the Palestine Exchange during the period 2019-2020 and the company's value.
5. The coronavirus pandemic had an impact on the relationship between ROA, ROE, EPS and TQ as it was found that the relationship was negative, i.e., the coronavirus pandemic had an effect and a mitigation of the relationship between the dependent and independent variables.
6. The coronavirus pandemic has an impact on the relationship between P/E ratio and ROA, and ROE and P/E ratio where the relationship was negative.

### **4.3 Conclusion**

This study examined The Impact of Financial Performance on Firm's value during Covid-19 Pandemic for Companies Listed in the Palestine Exchange (2019-2020). In summary, this paper provides evidence that coronavirus pandemic had an impact on the relationship between ROA, ROE, EPS and TQ as it was found that the relationship was negative, i.e., the coronavirus pandemic had an effect and a mitigation of the relationship between the dependent and independent variables. in addition to The coronavirus pandemic has an impact on the relationship between P/E ratio and ROA, and ROE and P/E ratio where the relationship was negative. In contrast, the coronavirus pandemic has no effect on the relationship between the financial performance of companies listed on the Palestine Exchange during the period

2019-2020 and the company's value. Accordingly, the Corona virus (COVID-19) is considered one of the most serious pandemics that have affected the global economy due to its difference from previous pandemics that are faced through economic policies, whereas the Corona pandemic directly threatens the human element, requiring preparing different policies to prevent further spread, especially in the absence of Vaccine for the virus. (PMA, 2020)

This result is supported with prior study (KHATIB & NOUR,2021) found that the COVID-19 crisis has affected all firm characteristics including firm performance, corporate governance structure, dividend level, liquidity, and leverage, but not at a significant level as the difference between prior and post COVID-19 is not significant. The findings of such an examination can Seeking future solutions to face such crises eventually as the pandemic revealed the inability of the regimes to meet the requirements of the communities and institutions, and filling the gap of their lack of readiness to face the general and comprehensive closures, especially the electronic services.2. Supporting national banks to implement procedures for postponing customers' debt payments, and restructuring granted credit facilities.3. Conducting additional studies to examine the impact of the Coved-19 pandemic and its impact on the economy and the share prices of companies on the Palestine Exchange, and to deal with future studies on the dimensions of unemployment and inflation, which can be entered as a result of the pandemic.4. Researchers should take into consideration in their future research a larger sample size and a long-term period of time for the impact

of the coronavirus pandemic, and encourage researchers to study additional mechanisms and indicators other than indicators of profitability for financial performance such as indicators of debt, liquidity and others.

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## **Appendixes**

**Appendix (1)****Normality of data**

<b>Variable Names</b>	<b>Skewness</b>	<b>Kurtosis</b>
Stock Return	0.761	2.622
P_E Ratio	2.207	6.82
Tobin's Q	2.719	6.81
ROE	0.906	4.333
EPS	1.843	5.983
ROA	0.608	2.84
TA	1.866	5.564
Leverage	1.628	4.907
Turnover by Volume	2.363	7.432
Corona	0.0	1.0

## Appendix (2)

### Descriptive statistics about all date set

#### Summary statistics

Variable Names	Mean	Median	Min	Max	Std. Dev.
ID	18.919	19	2	1	36
Stock Return	1.95	1.65	0.27	4.9	1.379
P_E Ratio	17.016	10.8	0.21	74	18.663
Tobin's Q	-7.308	-7.636	-9.876	0.55	2.116
ROE	6.753	7.315	-16.32	18.74	7.424
ROE	3.861	2.17	-5.68	14.04	4.469
EPS	0.318	0.18	0.0	1.8	0.356
TA	298249.93	59991.45	2270.58	1711324	461660.73
Leverage	47.124	29.34	0.28	227.36	54.73
Turnover by Volume	572.267	79.55	0.1	4067.9	1091.287
Corona	0.495	0.5	0.0	1.0	0.501

### Appendix (3)

#### Pearson's correlation between financial performance (ROA, ROE, EPS) and firm value (Stock return, TQ, P/E)

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Stock Return	1.000								
(2) P_E Ratio	-0.155	1.000							
(3) lnTQ	0.336*	-0.042	1.000						
(4) ROE	0.497*	-0.030	0.110	1.000					
(5) ROA	0.529*	-0.048	0.370*	0.809*	1.000				
(6) EPS	0.224*	-0.374*	0.051	-0.117	0.123	1.000			
(7) TA	-0.049	-0.070	-0.401*	0.064	-0.164	-0.222*	1.000		
(8) Leverage	-0.169	-0.013	-0.371*	-0.161	-0.332*	-0.100	0.726*	1.000	
(9) Turnover	-0.178*	0.019	-0.167	0.025	-0.166	-0.217*	0.424*	0.416*	1.000
(10) corona	0.006	0.073	-0.020	-0.102	-0.076	-0.041	0.032	0.023	-0.200*

Note: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

### Appendix (4)

#### Random and Fixed Effect Regression Models of ROA, ROE, and EPS to Stock Return

Variables	Stock Return	Stock Return	Stock Return
ROA	0.0193*** (2.19)		
ROE		0.0039 (1.08)	
EPS			<b>0.0861</b> <b>(1.07)</b>
TA	0.0002 (0.62)	0.0000 (0.12)	<b>0.0000</b> <b>(0.74)</b>
leverage	0.0017* (1.70)	0.00125 (1.19)	<b>0.0017</b> <b>(1.35)</b>
Turnover_by_volume	0.0048*** (3.32)	0.0044** (2.91)	<b>0.0005**</b> <b>(3.32)</b>
Cons	1.706*** (15.99)	1.829*** (8.18)	<b>1.757***</b> <b>(16.55)</b>
N	216	216	<b>216</b>
VIF Test	1.76	1.78	<b>1.72</b>
Breusch and Pagan Lagrangian Test	486.20***	450.93***	<b>502.39***</b>
Hausman Test	26.66***	4.48	<b>61.50***</b>
Best Model	Fixed Effect	Random Effect	<b>Fixed Effect</b>
R-sq	10%	8%	<b>8%</b>
Prob > F	0.0000***	0.0107**	<b>0.0039***</b>
	Stock Return	Stock Return	<b>Stock Return</b>

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

*Note: Stock return: firm's stock return (dependent variable), ROA: Return on Assets, ROE: Return on equity, EPS: earning per share. Model 1 examines the relationship between ROA and Stock Return, Model 2 examines the relationship between ROE and Stock Return, Model 3 examines the relationship between EPS and Stock Return, t statistics in parentheses,*

**Table (5)****Random Effect Regression Models of ROA,****ROE, and EPS to Tobin's q ratio**

<b>Variables</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
	lnTQ	lnTQ	<b>lnTQ</b>
ROA	0.0205** (2.06)		
ROE		0.0029 (0.58)	
EPS			<b>0.1501*</b> <b>(1.73)</b>
TA	-0.0087*** (-3.77)	-0.0086*** (-3.66)	<b>-0.0081***</b> <b>(-3.85)</b>
leverage	0.0033*** (2.73)	0.0029*** (2.46)	<b>0.0031***</b> <b>(2.75)</b>
Turnover_by_volume	0.0031*** (2.16)	0.0029** (2.03)	<b>0.0031***</b> <b>(2.19)</b>
Cons	-7.004*** (-19.36)	-6.930*** (-19.14)	<b>-6.977***</b> <b>(-18.56)</b>
N	216	216	<b>216</b>
VIF Test	1.76	1.78	<b>1.72</b>
Breusch and Pagan Lagrangian Test	528.38***	532.64***	<b>534.68***</b>
Hausman Test	0.2134	0.9651	<b>0.9238</b>
Best Model	Random Effect	Random Effect	<b>Random Effect</b>
R-sq	37%	34%	<b>36%</b>
Prob > F	0.0000***	0.0000***	<b>0.0000***</b>

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

*Note: lnTQ: firm's Tobin's Q (dependent variable), ROA: Return on Assets (independent variable), ROE: Return on equity (independent variable), EPS: earning per share (independent variable). Model 1 examines the relationship between ROA and Stock Return, Model 2 examines the relationship between ROE and Stock Return, Model 3 examines the relationship between EPS and Stock Return, t statistics in parentheses,*

**Table (6)****Random Effect Regression Models of ROA, ROE, and EPS to P/E Ratio**

<b>Variables</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
	P/E Ratio	P/E Ratio	P/E Ratio
ROA	-0.254 (-0.50)		
ROE		0.0669 (0.26)	
EPS			-28.46*** (-5.66)
TA	-0.0000 (-0.59)	-0.0000 (-0.68)	-0.0000 (-1.48)
leverage	0.0376 (0.63)	0.0504 (0.85)	0.0498 (0.96)
Turnover_by_volume	-0.0012 (-0.95)	-0.0012 (-0.97)	-0.0014 (-1.21)
Cons	18.20*** (4.38)	16.40*** (4.28)	27.48*** (7.86)
N	216	216	216
VIF Test	1.76	1.78	1.72
Breusch and Pagan Lagrangian Test	146.81***	146.74 ***	133.38***
Hausman Test	0.48	2.85	2.31
Best Model	Random Effect	Random Effect	Random Effect
R-sq	1.2%	1.3%	20%
Prob > F	0.7922	0.8251	0.0000***

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

*Note: P/E: firm's price to earnings (dependent variable), ROA: Return on Assets, ROE: Return on equity, EPS: earning per share. Model 1 examines the relationship between ROA and P/E, Model 2 examines the relationship between ROE and P/E, Model 3 examines the relationship between EPS and P/E, t statistics in parentheses,*



**Appendix (7)**  
**Moderating Covid-19 “Corona”**

**Random and Fixed Effect Regression Models of moderating role of  
ROA\*Corona, ROE\*Corona, and EPS\*Corona to Stock Return**

Variables	(1)	(2)	(3)
	Stock Return	Stock Return	Stock Return
ROA	0.0233** (1.89)		
ROA*Corona	-0.0023 (-0.45)		
ROE		0.0041 (0.93)	
ROE*Corona		0.0008 (0.27)	
EPS			0.1058 (1.27)
EPS*Corona			-0.0397 (-0.69)
Corona	0.0308 (0.80)	0.0062 (0.20)	0.0182 (0.61)
TA	0.000 (0.15)	0.000 (-0.13)	0.000 (0.07)
leverage	0.0016 (1.20)	0.0014 (1.22)	0.0013 (1.23)
Turnover_by_volume	0.0001*** (3.20)	0.0001*** (2.84)	0.0001*** (3.10)
Cons	1.725*** (14.28)	1.839*** (8.25)	1.819*** (7.56)
N	216	216	216
VIF Test	2.08	2.28	2.09
Breusch and Pagan Lagrangian Test	487.55***	448.34***	503.34***
Hausman Test	64.08***	4.31	5.28
Best Model	Fixed Effect	Random Effect	Random Effect
R-sq	11%	8%	8%
Prob > F	0.0027***	0.0393**	0.0251**

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

*Note: stock return: firm’s stock return (dependent variable), ROA: Return on Assets, ROE: Return on equity, EPS: earning per share. Corona: corona pandemic, ROA\*Corona: interaction term between ROA and corona, ROE\*Corona: interaction term between ROE and corona, EPS\*Corona;*

interaction term between EPS and corona. Model 1 examines the relationship between ROA and stock return, Model 2 examines the relationship between ROE and stock return, Model 3 examines the relationship between EPS and stock return, *t* statistics in parentheses,

**Random Effect Regression Models of moderating role of ROA\*Corona, ROE\*Corona, and EPS\*Corona to Tobin's q ratio**

Variables	(1)	(2)	(3)
	lnTQ	lnTQ	lnTQ
ROA	0.0125* (1.93)		
ROA*Corona	-0.0073** (-2.46)		
ROE		0.0026 (0.92)	
ROE*Corona		-0.0047** (-2.55)	
EPS			0.127** (2.36)
EPS*Corona			0.0502 (1.34)
Corona	-0.0192 (-0.99)	-0.0294 (-1.51)	-0.0783*** (-4.01)
TA	-0.0001*** (-6.96)	-0.0001*** (-5.66)	-0.0001*** (-5.80)
leverage	0.0027*** (3.80)	0.0023*** (3.29)	0.0030*** (4.55)
Turnover_by_volume	0.0001** (2.46)	0.0001** (2.14)	0.0001 (1.45)
Cons	-6.997*** (-21.32)	-7.020*** (-20.49)	-7.060*** (-20.00)
N	216	216	216
VIF Test	2.08	2.28	2.09
Breusch and Pagan Lagrangian Test	525.97***	527.60***	534.55***
Hausman Test	1.42	2.16	1.01
Best Model	Random Effect	Random Effect	Random Effect
R-sq	43%	43%	43%
Prob > F	0.0000***	0.0000***	0.0000***

Note: lnSR :logarithm of firm's stock return, *t* statistics in parentheses, \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Random Effect Regression Models of moderating role of ROA\*Corona, ROE\*Corona, and EPS\*Corona to P/E Ratio**

Variables	(1)	(2)	(3)
	P/E Ratio	P/E Ratio	P/E Ratio
ROA	0.379 (0.74)		
ROA*Corona	-1.518*** (-3.79)		
ROE		0.608** (2.01)	
ROE*Corona		-0.729*** (-2.92)	
EPS			-25.95*** (-4.81)
EPS*Corona			-6.323 (-1.30)
Corona	8.329*** (3.39)	7.791*** (2.99)	3.714 (1.56)
TA	-0.0000 (-0.51)	-0.0000 (-0.62)	-0.0000* (-1.70)
leverage	-0.0044 (-0.08)	0.0200 (0.34)	0.0546 (1.03)
Turnover_by_volume	0.0004 (0.30)	-0.000212 (-0.16)	-0.000736 (-0.58)
Cons	15.11*** (3.58)	11.73** (2.90)	25.71*** (6.86)
N	216	216	216
VIF Test	2.08	2.28	2.09
Breusch and Pagan Lagrangian Test	164.12***	156.17***	135.17***
Hausman Test	1.32	3.24	3.01
Best Model	Random Effect	Random Effect	Random Effect
R-sq	9%	8%	15%
Prob > F	0.0075 ***	0.0661*	0.0000***

Note: *t* statistics in parentheses, \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

جامعة النجاح الوطنية  
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ب

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د. سامح العطوط

الملخص

تعد نتائج تقييم الاداء المالي للشركات من الركائز الاساسية لاتخاذ القرار للمستثمر في ظل توافر العديد من الفرص الاستثمارية وايضا فيما اذا كان للشركة القدرة على توليد قيمة والاستمرارية في المستقبل لذلك يزداد اهمية تقييم الاداء المالي في ظل حدوث ازمت مالية متتالية والتي اخرها ازمة كوفيد 19 - كورونا والتي تعتبر ازمة مركبة صحية ومالية حيث شملت جميع مناحي وجوانب الحياة.

تبحث الدراسة فيما اذا كانت ازمة فايروس كورونا لها تاثير على العلاقة بين الاداء المالي للشركات والمتمثلة (العائد على الاصول، العائد على حقوق الملكية، العائد على الاسهم) وقيمة الشركة المتمثلة (بالعائد على الاسهم، ونسبة ال توينز كيو، ونسبة السعر الى العائد) وذلك باستخدام معادلة الانحدار المتعدد للمتغيرات على مجموعة من الشركات المدرجة في بورصة فلسطين بعدد 36 شركة حيث تم استبعاد 10 شركات لعدم توفر بيانات وذلك خلال الفترة 2019-2020.

وجدت هذه الدراسة لا يوجد تأثير لازمة فيروس كورونا على الارتباط بين الاداء المالي (ROA, ROE, EPS) على قيمة الشركة (Stock return) لكن وجد ان لازمة فيروس كورونا اثر معنوي في اضعاف العلاقة بين الاداء المالي (ROA, ROE, EPS) وقيمة الشركة (توينز كيو)، بالاضافة كان لازمة كورونا تأثير معنوي على العلاقة بين الاداء المالي (ROA, ROE) وقيمة الشركة (P/E ratio) حيث اظهرت النتائج ان العلاقة سلبية.

أوصت الدراسة الى اجراء دراسات إضافية لبحث تأثير جائحة كوفيد 19 وأثره على الاقتصاد وأسعار أسهم الشركات في بورصة فلسطين، للتعامل مع الدراسات المستقبلية حول أبعاد البطالة والتضخم والتي تعد من ابرز مخرجات الازمة. بالإضافة الى ذلك على الباحثين أن يأخذوا بعين الاعتبار في أبحاثهم المستقبلية حجم عينة أكبر وفترة زمنية طويلة لتأثير جائحة كورونا، وتشجيع الباحثين على دراسة آليات ومؤشرات إضافية غير مؤشرات الربحية للأداء المالي مثل مؤشرات الديون والسيولة وغيرها.

**الكلمات المفتاحية:** الأداء المالي، قيمة الشركة، كوفيد 19 (كورونا)، بورصة فلسطين.