Arab American University

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The Role of Competing Financial Indicators in Explaining Earnings: Evidence from Palestine Exchange

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Thesis Approval

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This thesis was defended successfully on 8 / 7 / 2024 and approved by:

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3. Dr. Yousef Hassan: External Examiner	.....

Declaration

I declare that this thesis was composed by myself and that the work contained herein is my own, except where it states otherwise by references or acknowledgment, the work presented is entirely my own.

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Dedication

My Mother

To my beating heart and soul, to the soul that never leaves my mind, and whose prayers lit every path in my way. To my mother who never really left us.

My Father

To the first teacher in my life, my dear father. May God bless you for your ongoing support and unconditional love.

My Husband

To my best friend, my biggest support my husband. No words can express how thankful I am for your continuous love and support through thick and thin.

My Daughter

To the one and only, to the one that never left my side, my precious daughter.

You’re the best gift I have ever received in this world, your presence in my life is the reason I stand stronger every day, you’re more than just a daughter you’re my other half my joy and happiness, my love for you is infinity. I love you my sweetheart Yasmin.

My Family and Friends

To my family and friends that feel like home with their ongoing support and motivation. Thank you for always being there for me.

My University

For being the castle and the minaret of knowledge and culture, thank you AAUP…

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“It always seems impossible until it’s done.”

Nelson Mandela

The time of working on this dissertation has been one of most stressful times in my life. It was very challenging that I cried at some points but it shaped me into who I am today.

No words can be enough to thank all of those who helped me in writing this thesis but I will try my best to show everyone how thankful I am.

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Abstract

This study explores " The Role of Competing Financial Indicators in Explaining Earnings: Evidence from Palestine Exchange," focusing on the value relevance of three key financial metrics—free cash flow, dividend per share, and operating cash flow—in explaining Earnings Per Share (EPS) for companies listed on the Palestine Exchange. Employing a descriptive analysis approach, the research utilized financial statements data from 2015 to 2022, covering 22 companies (13 industrial and 9 service company's) across 176 observations.

The regression model analyzing Earnings Per Share (EPS) for companies on the Palestine Exchange uses dividends per share, operational cash flow ratio, and free cash flow as predictors. The model explains about 11.4% of the variability in EPS, with an adjusted R Square of 0.086, indicating the predictors still have significant explanatory power despite the modest fit.

The analysis revealed that dividends per share ($\beta = 0.351$, $p = 0.001$) have a significant and positive impact on Earnings Per Share (EPS), indicating that higher dividends per share are associated with increased Earnings Per Share (EPS). In contrast, free cash flow ($\beta = -4.088 \times 10^{-10}$, $p = 0.755$) and operating cash flow ratio ($\beta = -0.026$, $p = 0.672$) did not show statistically significant effects on Earnings Per Share (EPS). These results underscore the importance of dividends per share as a valuable indicator in the context of the Palestine Exchange during the study period. The study recommends adopting a nuanced and multifaceted approach to financial analysis and decision-making on the Palestine Exchange, highlighting the need to consider various metrics and contextual factors to enhance investment strategies.

Keywords: Financial indicators, Free cash flow, Dividend per share, Operating cash flow, Earnings Per Share (EPS), Palestine Exchange, Financial statements

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Chapter One

General Frame Work

Introduction

The relative significance of various financial indicators is a crucial subject of research in the fields of accounting and finance. Financial metrics such as net income, cash flow, rate of return on equity, rate of return on assets, and composite indicators are used to assess a company's success (Qiao et al., 2023) .

These metrics offer a thorough evaluation of an organization's performance and are helpful in long-term comparative research. A number of ratios or other sorts of indicators, such as those in the balance sheet and profit and loss account of the business, serve as the foundation for the financial analysis. Operating cash flows and dividends are two more metrics that have been researched and shown to be useful in assessing a company's financial success.

Financial information is the primary source in determining indicators in companies listed on the Palestine Exchange, and, more importantly, this financial information is one of the primary components that investors depend on when making an investment decision. Researchers have spent the better part of the last eight decades analyzing the factors that affect these uses (Gunanto, 2023).

Businesses and investors may benefit greatly from financial indicators and research. They offer a way to monitor financial health, support decision-making, evaluate performance, make investment decisions, analyze and manage risk, and guarantee reporting obligations are met. They also aid in strategic planning. Businesses may obtain important insights into their financial situation, pinpoint areas for development,

and make appropriate decisions to improve overall performance and sustainability by evaluating financial statements and ratios (GOMOI, 2023).

Financial indicators have limitations such as oversimplification, reliance on historical data, subjectivity, and potential manipulation. They may not capture qualitative factors, lack context, and vary across industries. Additionally, they can be lagging indicators and overlook non-financial factors. To overcome these limitations, it is important to use financial indicators in conjunction with other analyses and consider a broader range of factors for a comprehensive assessment (Mohmood et al., 2023).

Financial indicators and financial analysis are essential for investors when analyzing financial statements. They provide valuable information for investment decision-making, risk assessment, performance evaluation, portfolio management, communication, and regulatory compliance. By utilizing financial indicators, investors can make their investment decisions, manage risks effectively, and optimize their investment strategies (Odey et al., 2023).

The purpose of this research is to compare the impact of several financial indicators on Earnings Per Share (EPS), including free cash flows, dividends per share, and operational cash flow, on a sample of listed companies on Palestine Exchange Earnings Per Share (EPS).

1.2 Problem statement

Several studies (Alamoudi & Bafail, 2022; Mohmood et al., 2023; Odey et al., 2023; Qiao et al., 2023) highlights the importance of predicting Earnings Per Share (EPS) and minimizing investment risks as significant objectives for investors in financial markets. Earnings Per Share (EPS) is a measure of the performance of an investment over time, expressed as a percentage, while "stock value" is the current market price of a share of

stock". Returns take into account changes in stock value as well as any income generated from the investment, such as dividends. Investors typically employ fundamental analysis, technical analysis, and quantitative models to predict stock values. Risk management techniques, and the use of alternative data sources are also important considerations. Nonetheless, it is critical to recognize the difficulties and unknowns involved in stock value prediction, highlighting the necessity of in-depth investigation, expert counsel, and portfolio diversification.

While the chosen research topic is not new, its importance justifies further investigation. The researcher's decision to explore this topic is driven by its potential to contribute valuable new insights. This study aims to offer a significant scientific addition by integrating recent information and covering a time period that has not been addressed by previous research. Unlike earlier studies, which focused on different timeframes, this research provides a fresh perspective.

The scarcity of research on this topic within the Palestinian context further highlights its relevance. Palestine's unique and high-risk political and economic environment presents specific challenges that differ from those in other countries. Addressing this gap in the literature is crucial, as it adds meaningful knowledge and understanding of how local conditions impact the research subject. The main question for this study is: What is the effect of competing financial indicators on Earnings Per Share (EPS) of listed companies on Palestine Exchange during 2015-2022?

1.3 Research Questions

Based on the above discussion and the need to further investigate this topic, the following questions can be used to present the research problem:

1. What is the impact of free cash flow in explaining Earnings Per Share (EPS) of listed companies on Palestine Exchange (2015-2022)?
2. What is the impact of dividend per share in explaining Earnings Per Share (EPS) of listed companies on Palestine Exchange (2015-2022)?
3. What is the impact of operating cash flow in explaining Earnings Per Share (EPS) of listed companies on Palestine Exchange (2015-2022)?

1.4 Objectives of the Study

The main objective of the study is to have a better understanding of the value relevance of some financial indicators on Earnings Per Share (EPS) for a sample of companies listed on Palestine Exchange during 2015-2022.

This objective is further broken down into the following objectives:

1. Analyzing free cash flow's importance in relation to Earnings Per Share (EPS).
2. Analyzing dividends' importance in relation to stock performance.
3. Examining the impact of operating cash flow on Earnings Per Share (EPS).

1.5 Significance of the Study

Theoretical Significance

1. Understanding Financial Performance: Competing financial indicators offer a theoretical framework for understanding how different metrics like dividends per share, operational cash flow ratio, and free cash flow interact to influence Earnings Per Share (EPS). This helps in developing comprehensive financial models and theories relevant to specific markets, such as the Palestine Exchange.

2. Economic and Market Insights: Analyzing these indicators provides insights into broader economic and financial theories, such as market efficiency, financial stability, and risk assessment. This research contributes to academic knowledge by enhancing the

understanding of financial performance and economic development within the Palestinian context.

3. Market Efficiency and Transparency: Studying the indicators helps in evaluating the efficiency and transparency of the market, contributing to theoretical discussions on how emerging markets operate and align with global financial standards.

4. Academic Contribution: The research adds to the theoretical body of knowledge in finance and accounting, offering new insights into how financial metrics affect EPS and other performance indicators within a unique economic and geopolitical setting.

Application Significance

1. Management Decision-Making: For management teams, these indicators provide a comprehensive view of the company's financial health, aiding in trend identification, risk assessment, and alignment with strategic objectives. This helps in making informed decisions that can improve company performance and strategic alignment.

2. Investor Decision-Making: Investors and advisory companies can use these indicators to gain a thorough understanding of a company's financial situation. This facilitates better investment decisions, supports diversification strategies, and helps in validating financial health and assessing risks.

3. Risk Management: Practical applications include risk assessments related to financial stability, market volatility, and debt analysis. Investors and managers can use this information to mitigate risks and make strategic adjustments.

4. Diversification Strategies: These indicators assist in developing diversification strategies by providing insights into sector and industry performance, geographic opportunities, and asset allocation. This is crucial for optimizing investment portfolios and spreading risk.

5. Client-Specific Recommendations: Financial advisors can use the indicators to provide tailored recommendations and evaluate investment performance, leading to more personalized and effective investment strategies.

6. Local Economic Impact: For policymakers and local stakeholders, understanding these indicators helps in assessing economic development and investor confidence, which can guide policy and contribute to local economic strategies.

1.6 Study hypothesis

Based on the above main and sub-questions, the following hypothesis where established:

Main hypothesis: There is no relationship between competing financial indicators and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

H1: There is no relationship between free cash flow on Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

H2: There is no relationship between dividends per share on Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

H3: There is no relationship between operating cash flow on Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

1.7 Study Variables

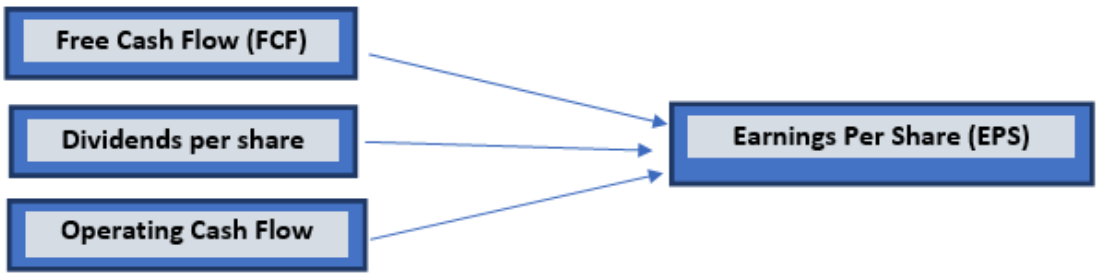
Based on the above objectives, questions and hypothesis, the following explains the study variables:

- **Dependent Variable:** Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).
- **Independent variables**

Free Cash Flow (FCF)

Dividends per share

Operating Cash Flow OCF)



1.8 Definitions of Terms

Free Cash Flow (FCF)

According to (Yousef & Ojah, 2022) FCF is a financial indicator that entrepreneurs, analysts, and investors use to evaluate the profitability and financial health of a company. It is the amount of money left over after a company pays all of the costs associated with growing and maintaining its asset base.

FCF= Operating Cashflow (OCF)- CAPEX- Change in net working capital.

Dividends

Are payments made to shareholders from a company's profits, giving them a return on their investment. They can come in the shape of extra shares or money. For income-focused investors, dividends are crucial since they demonstrate the stability of a company's finances.(Seo & Lee, 2023).

Earnings Per Share (EPS)

Earnings Per Share (EPS) is a key financial metric used to measure a company's

profitability on a per-share basis. It represents the portion of a company's profit allocated to each outstanding share of common stock, providing a measure of a company's financial performance and profitability.

Formula for Earnings Per Share (EPS):

$$\text{EPS} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted Average Shares Outstanding}}$$

Operating Cash Flow (OCF)

A key element of the cash flow statement is operating cash flow (OCF), which shows how much money is made or spent on a company's primary activities during a certain time period. It is a crucial sign of a company's financial stability and profitability and offers insights into its capacity to produce cash from regular business operations. (Toumeh et al., 2020).

Operating cash flow = total cash received for sales - cash paid for operating expenses

1.9 Chapter summary

The research focuses on analyzing the impact of financial indicators on Earnings Per Share (EPS) on Palestine Exchange-listed companies from 2015 to 2022. These indicators are essential for evaluating performance and helping in investment decisions. The study aims to assess the value relevance of indicators like free cash flow, dividends, and operating cash flow on Earnings Per Share (EPS). The research is important for both management and investors. It addresses questions and hypotheses about the relationships between these indicators and Earnings Per Share (EPS), aiming to contribute new insights to the field. The following chapters are organized as follows:

chapter (2) discusses literature review and related previous studies, whereas chapter (3) explain research methodology, and chapter (4) provides discussion and results of testing hypothesis and research questions. Finally, chapter (5) provides related conclusions and recommendations based on the study results.

Chapter Two

Theoretical Framework and Literature Review

The second chapter of the study discusses the basic concepts related to financial indicators and their relationship to stock prices. The chapter also deals with previous relevant studies. Each section concludes with a brief commentary that highlights the additional value of the present study by contrasting it with earlier research.

2.1 Theoretical Framework

Financial indicators are vital tools for evaluating and understanding the performance of companies and financial institutions. Financial indicators offer a complete view of the company's entire performance. It helps examine financial results over a specific period, enabling investors and managers to understand how to manage financial resources, control costs, and achieve returns (Aayale et al., 2022).

Financial indicators also play a vital role in making strategic decisions. Leaders and managers may make well-informed strategic decisions with solid financial underpinnings by examining these indicators. They can also identify areas that need improvement and explore potential investment opportunities(Jiang et al., 2020).

In addition to the above, financial indicators help evaluate the company's ability to continue. Providing indicators on the sustainability of operations and growth helps estimate a company's ability to adapt to financial challenges in the long term (Jiang et al., 2020).

It's crucial for drawing in creditors and investors as well. By providing accurate and comprehensive information, financial indicators help attract the capital necessary for growth and expansion. It also contributes to building confidence in the performance of

the company. The indicators give insight into the company's operating characteristics. It may be used by administrators to find areas of the cost structure that are strong and weak and to manage expenses and achieve profitability.(Chen, 2021).

Finally, financial indicators play an important role in evaluating profitability in its various aspects. It helps in analyzing net profit and return on investment, which contributes to evaluating the effectiveness of company management and attracting investor interest (Chaengkham & Wianwiwat, 2021).

2.1.1 Financial indicators

A collection of instruments and ratios known as financial indicators are used to assess the performance and financial standing of organizations and businesses. Employing these metrics offers a thorough understanding of how a business allocates its resources and meets its financial objectives. One of the primary financial metrics(Xi et al., 2021a):

1. Profitability metrics

- • Net Profit: The sum of all revenues less all expenses.
- • Profit Margin: A measure of the company's efficiency in turning a profit that is calculated as a percentage of sales(Xi et al., 2021a).

2. Indicators of liquidity:

- • Current Ratio: Evaluates the capacity to meet immediate financial obligations.
- • Quick Ratio: Assesses debt repayment capacity without using inventory(Xi et al., 2021a):.

3. Debt indicators include: • Debt-to-Equity Ratio, which indicates and displays a decrease in debt.

- Debt Service Coverage Ratio: Evaluates the ability of the business to pay interest and repay debt.

4. Indicators of return on investment:

● Return on Investment - ROI): Measures the efficiency of investment in the company.

● Return on Assets - ROA): Reflects the efficiency of the overall use of assets to achieve profit(Xi et al., 2021a):.

5. Market indicators:

● Price-to-Earnings Ratio - P/E): The company's stock price compared to its earnings per share.

● Earnings Yield: The ratio of profit to share price.

6. Growth indicators:

● Revenue Growth: Measures the rate of revenue growth over a period.

● Earnings Growth: reflects the growth rate of earnings over time(Xi et al., 2021a):.

These are just a few examples of financial indicators, and there are many others that can be used depending on the industry and specific financial analysis objectives.

2.1.2 Importance of financial indicators

Financial indicators play a vital role in analyzing and understanding the situation of companies, and provide valuable information to investors and managers for making strategic decisions. Here is an explanation of the importance of these indicators according to (Alamoudi & Bafail, 2022):

First, financial indicators act as “windows” into a company’s performance, providing a comprehensive picture of the health of its business and financial stability. These indicators can reveal strengths and weaknesses in a business structure, allowing investors to understand the factors that influence performance .

Second, financial indicators help estimate a company's profitability and financial strength. Just as the profitability index shows whether a company can achieve adequate profits, the financial strength index reflects its ability to withstand financial challenges and debts

Third, indices of debt and liquidity are essential for evaluating the viability of a financial system. Investors and management can assess a company's commitment to and strategy for managing debt by examining its debt-to-equity ratio. Furthermore, liquidity indicators aid in assessing a company's capacity to fulfill its immediate financial commitments.

Fourth, growth and return on investment analysis is used to estimate a company's long-term performance. Revenue and profit growth reflects the strength and effectiveness of growth strategies, while return on investment shows whether the company is creating tangible value for investors (Alamoudi & Bafail, 2022

In conclusion, financial indicators enhance confidence in the company and contribute to attracting capital. When financial results are positive and sustainable, investor interest increases, and the company can attract the necessary financing to achieve its expansion plans and improve its financial performance. In this way, financial indicators are vital tools for evaluating and analyzing the situation of companies, and contribute to making effective decisions to improve their performance and sustainability in the long term. (Alamoudi & Bafail, 2022).

2.1.3 Free Earnings per Share (EPS) and cash flow

An indication of finances is free cash flow. Fee cash flow (FCF) shows how much money is left over from operations after capital expenditures are taken into consideration. It is a crucial financial indicator that managers, analysts, and investors

use to evaluate a company's performance and financial health (Sulieman Abughniem et al., 2020).

“Free cash flow is calculated using the following formula”:

“Free Cash Flow (FCF)=Operating Cash Flow−Capital Expenditures”

Where:

● Operating Cash Flow (OCF): This is the cash that is produced or spent during a business's regular operations.

● Capital Expenditures (CapEx): The cash used to buy, renovate, and maintain tangible assets like real estate and machinery is referred to as capital expenditures.

A corporation with positive free cash flow has excess cash after covering its capital expenditure and operating expenses, which is typically regarded as a favorable indicator. There are a number of uses for this extra money, including debt reduction, dividend payments, and growth opportunity investments. (Kipngetich et al., 2021).

On the other hand, negative free cash flow may suggest that a company is not generating enough cash from its core operations to cover its capital expenditures, which could raise concerns about its financial sustainability(Kipngetich et al., 2021).

In conclusion, free cash flow is an important financial metric that sheds light on a company's cash-generating capabilities as well as its ability to pay down debt, pay dividends, and undertake strategic projects.

The relationship between free cash flow (FCF) and stocks

The relationship between free cash flow (FCF) and stocks is significant and plays a crucial role in the analysis and valuation of stocks. Here are some key aspects of this relationship (Kipngetich et al., 2021; Lai et al., 2020; Sulieman Abughniem et al., 2020)

1. **Valuation Metrics**

- Discounted Cash Flow (DCF) Analysis: To determine a stock's intrinsic value, DCF analysis frequently uses free cash flow (FCF). Using this technique, one may estimate the stock's fair value by discounting future free cash flows to their present value . (Kipngetich et al., 2021)
- Free Cash Flow Yield: Investors can evaluate a stock's attractiveness in relation to alternative investment opportunities by dividing FCF by the company's market capitalization. (Kipngetich et al., 2021)

2. **Financial Health and Stability**

- Financial Health Indicator: Growing and positive free cash flow is typically regarded as no indication of financial health. It shows that the business is making more money than it requires for investments and operations, which might be put toward paying down debt, increasing dividends, or expanding in the future.
- Dividends and Debt Repayment: Companies with robust and steady free cash flow are better positioned to pay down debt and provide dividends to shareholders, which appeals to income-seeking investors (Lai et al., 2020).

3. **Investor Confidence:**

- Investor Confidence: Investor confidence can be bolstered by positive free cash flow. It implies that the business can follow strategic goals, pay out dividends to shareholders, and withstand economic downturns (Sulieman Abughniem et al., 2020).

- Stock buybacks: Businesses with surplus free cash flow have the option to repurchase their own stock, which lowers the number of outstanding shares and increases shareholder value(Lai et al., 2020)..

4. **Growth Opportunities:**

- Funding Growth: In order to finance internal growth efforts, free cash flow is essential. Organizations possessing significant free cash flow are able to allocate funds towards R&D, acquisitions, or market growth(Sulieman Abughniem et al., 2020)..
- Perception in the Market: Businesses with robust free cash flow are perceived favorably by investors as being well-positioned for future expansion(Lai et al., 2020)..

5. **Market Expectations:**

- Market Reactions: Changes in a company's free cash flow can impact its stock price. Positive surprises or improvements in free cash flow relative to market expectations may lead to positive stock price reactions, while disappointments may have the opposite effect(Sulieman Abughniem et al., 2020)..

In conclusion, free cash flow is a key indicator that affects many facets of company research and valuation. It offers information on the stability of a company's finances, its capacity to provide profits for its owners, and its room for expansion. Free cash flow is a financial measure that investors frequently take into account when making selections about which stocks to buy.

2.1.4 Dividends and Earnings per Share (EPS)

Dividends are considered financial indicators, and they play a significant role in assessing a company's financial health and performance. Dividends represent the

portion of a company's earnings that is distributed to its shareholders as a return on their investment (Bolton et al., 2023). Here are some key points highlighting the role of dividends as financial indicators (Bayar et al., 2021; Hasan et al., 2022):

1. **Profitability and Earnings**

- Profit Distribution: Businesses can distribute their earnings to shareholders by paying dividends. The ability of the business to make profits and provide them to investors is reflected in the dividend payout.
- Stability of Earnings: A prosperous and stable company model may be suggested by a consistent dividend distribution schedule. Income-seeking investors tend to see companies that can maintain and expand their dividends over time favorably.

2. **Cash Flow**

- Cash Distribution: A company's free cash flow is normally used to pay dividends. A business that regularly produces positive free cash flow is able to afford to pay dividends to its shareholders. (Bolton et al., 2023).
- Stability of Cash Flow: A company's capacity to pay dividends might indicate how stable its cash flow is. Companies with steady and consistent cash flows are frequently preferred by investors because they reinforce the dependability of dividend payments.

3. **Investor Returns**

- Yield and Return: The return that investors receive from dividends is measured by dividend yield, which is computed by dividing the yearly dividend per share by the stock's current market price. An increased dividend yield might be appealing to investors that prioritize income. (Hasan et al., 2022).

- Total Return: When reinvested, dividends increase an investor's overall return on stock ownership. Dividend income and capital appreciation are both included in the total return.

4. Financial Discipline

- Capital Allocation: The decision to pay dividends reflects a company's capital allocation strategy. Companies that prioritize returning value to shareholders through dividends may be considered financially disciplined (Bayar et al., 2021).
- Signaling Effect: The initiation, increase, or decrease of dividend payments can send signals to the market about a company's financial health, management's confidence in future earnings, and its outlook on growth(Ali & Hegazy, 2022).

5. Shareholder Value

- Enhancing Shareholder Value: Dividends are one way for companies to enhance shareholder value. Regular dividend payments can attract investors seeking income and contribute to no perception of the company in the market (Hasan, 2022a).

In summary, dividends serve as financial indicators that provide insights into a company's profitability, cash flow, and commitment to returning value to shareholders. Investors often consider dividends alongside other financial metrics when evaluating the attractiveness of a stock for income or total return.

The relationship between dividends as financial indicators and stocks is significant and can influence various aspects of stock valuation, investor decisions, and market perception. Here are key points that highlight this relationship (Bayar et al., 2021; Bolton et al., 2023; Hasan et al., 2022)

1. **Income Generation**

- Attractive to Income-Oriented Investors: Dividend-paying stocks are often attractive to investors seeking a regular income stream. Companies that consistently pay dividends may be particularly appealing to those who rely on investment income.
- Dividend Yield: An important statistic for income-oriented investors, the dividend yield is computed by dividing the yearly dividend per share by the stock's current market price. For individuals looking for income, a company with a greater dividend yield may be more appealing. (Bolton et al., 2023).
- **Valuation Metrics**
- Dividend Discount Model (DDM): A key element of the Dividend Discount Model, which is used to value stocks, is dividends. This methodology calculates a stock's intrinsic value by estimating the present value of its future dividends.
- Price-to-Earnings Ratio (P/E): The P/E ratio is impacted by dividends as well. When evaluating the relative valuation of a stock, investors may find it useful to examine the dividend-adjusted P/E ratio(Sulieman Abughniem et al., 2020)..

2. **Investor Sentiment**

- Positive Signal: The market may respond favorably to dividend payouts. Regular dividend payers are frequently seen as financially sound and optimistic about their potential for future profits growth.
- Dividend Increases: Generally speaking, a rise in dividends indicates a company's confidence in its financial standing and potential for future growth(Bayar et al., 2021)

Total Return

- Contribution to Total Return: When investors own stocks, dividends have an impact on the total return they get. Dividend income and capital appreciation are included in the total return..(Bolton et al., 2023)
- Reinvestment: Reinvesting dividends by purchasing additional shares can compound returns over time, enhancing the total return on the investment.

3. Financial Health

- Cash Flow Considerations: Dividend payments are made from a company's profits or, in some cases, from free cash flow. The ability to consistently pay dividends may reflect a company's strong financial health.
- Stability and Sustainability: A history of stable and sustainable dividend payments can be an indicator of a well-managed company with a reliable business model(Bayar et al., 2021).

4. Share Buybacks vs. Dividends

- Capital Allocation Decisions: Businesses have the option of using share buybacks or dividends to give value back to their shareholders. The decision made between the two is a reflection of the capital allocation strategy and the optimal use of extra cash by management.(Hasan et al., 2022).
- Effect on Stock Price: Just like share buybacks, dividend payments may have an effect on the stock price of a business. An announcement of a dividend may be well received by investors, particularly if it meets expectations.(Bolton et al., 2023).

In conclusion, there are several facets to the link between dividends and equities. In addition to influencing stock price and investor decisions, dividends are an important

financial signal that show a company's sound financial standing and dedication to creating value for shareholders. Whether assessing a stock's long-term prospects or seeking income, investors frequently take dividends into account while formulating their entire investing plan.

2.1.5 Profits per share as well as Earnings Per Share (EPS)

Earnings per Share (EPS) are a key financial metric that are frequently taken into account in financial analysis and valuation in order to evaluate a company's profitability. The important indicator known as earnings per share (EPS) shows how much of a company's profit is distributed to each outstanding share of common stock. It is computed by dividing the weighted average number of outstanding shares for a given time period by the net income available to common shareholders. (Rana Sausan et al., 2020).

The formula for calculating EPS is as follows(Nurmayasari et al., 2021; Rana Sausan et al., 2020):

{EPS} = {Net Income} - {Preferred Dividends}}{ {Weighted Average Number of Common Shares Outstanding}}]

Here are some key points highlighting the importance of earnings per share as a financial indicator:

1. **Profitability Assessment**

● Net Income Allocated to Shareholders: EPS reflects the profitability of a company by indicating how much of the net income is attributable to each common share. (Rana Sausan et al., 2020).

2. **Investor Insights**

- Indicator of Earnings Attractiveness: Investors often use EPS to assess the attractiveness of a stock. A higher EPS is generally considered favorable, indicating more earnings available to each shareholder. (Rana Sausan et al., 2020).
- Comparison with Industry Peers: Investors may compare a company's EPS with those of its industry peers to gauge its relative profitability and competitiveness(Nurmayasari et al., 2021).

3. **Valuation Metrics**

- Price-to-Earnings Ratio (P/E): An essential factor in determining the P/E ratio is earnings per share (EPS). Investors frequently utilize the P/E ratio as a valuation indicator to assess a stock's relative worth in relation to its earnings.
- Earnings Yield: Investors utilize this statistic, which is the opposite of the P/E ratio, to evaluate a stock's projected earnings in relation to its market price. (Rana Sausan et al., 2020).

4. **Dividend Decisions**

- Basis for Dividend Payments: Companies often consider their earnings when deciding on dividend payments. Dividends per share (DPS) are sometimes expressed as a percentage of EPS (Gharaibeh et al., 2022).

5. **Financial Health**

- Solvency and Sustainability: Consistent positive EPS is an indicator of a company's solvency and sustainability. It reflects the ability to generate profits over time.

- Trend Analysis: Changes in EPS over multiple periods can provide insights into a company's financial health and its ability to adapt to market conditions.
- **Analyst Forecasts**Used by Analysts: Financial analysts use EPS as a key metric in their forecasting models. Analyst estimates for future EPS are closely monitored by investors and can impact stock prices (Kohar Mudzakar & Wardanny, 2021).

In conclusion, earnings per share (EPS) is a key financial metric that analysts, investors, and management use to inform many facets of financial research and decision-making. It offers insightful information about a company's profitability.

Earnings Per Share (EPS), a key financial indicator, and stocks have a crucial link that affects many facets of stock valuation, investor choices, and market perception. These are the main ideas that illustrate this connection.

1. **Valuation Metrics**

- Price-to-Earnings Ratio (P/E): EPS is a key component in calculating the P/E ratio, a widely used valuation metric. The P/E ratio compares the market price of a stock to its earnings per share, providing insights into how the market values the company's earnings(Bayar et al., 2021).
- Forward P/E: Analysts often use estimated future EPS to calculate the forward P/E ratio, helping investors assess a stock's valuation based on expected future earnings.

2. **Investor Perception**

- Indicator of Profitability: EPS is a direct measure of a company's profitability. Higher EPS is generally perceived positively by investors, indicating strong earnings potential.

- Earnings Growth: Consistent growth in EPS can be viewed as no sign, signaling a healthy and expanding business.

3. Dividend Payments

- Basis for Dividend Decisions: Companies often use earnings as the basis for dividend payments. Dividends per share (DPS) are sometimes expressed as a percentage of EPS, and a portion of earnings may be allocated to shareholders in the form of dividends.
- Dividend Payout Ratio: Investors may assess the sustainability of dividends by comparing the dividend payout ratio (dividends per share divided by EPS). A lower payout ratio suggests more room for future dividend increases(Hasan et al., 2022).

4. Total Return

- Contributor to Total Return: Earnings contribute to a company's ability to pay dividends and reinvest in the business. Both dividend income and capital appreciation from stock price increases contribute to the total return for investors(Rana Sausan et al., 2020).

5. Financial Health

- Indicator of Financial Stability: EPS is an indicator of a company's financial stability. Consistently positive EPS indicates profitability, while negative or declining EPS may raise concerns about a company's financial health(Gharaibeh et al., 2022).
- Creditworthiness: Positive EPS can enhance a company's creditworthiness, making it more attractive to lenders and potentially lowering its cost of capital.

6. **Market Sentiment**

- Impact on Stock Prices: Positive earnings surprises or increases in EPS guidance can lead to upward movements in stock prices, while disappointments may result in declines.
- Earnings Reports: The release of quarterly or annual earnings reports, including EPS figures, often has a significant impact on stock prices as investors reassess the company's financial performance(Nurmayasari et al., 2021).

7. **Investor Decision-Making**

- Basis for Investment Decisions: Investors often consider EPS, along with other financial metrics, when making investment decisions. EPS growth and consistency are key factors for long-term investors.
- Comparison with Peers: Investors may compare a company's EPS with industry peers to evaluate its relative financial performance(Rana Sausan et al., 2020).

In summary, the relationship between earnings per share and stocks is multifaceted. EPS is a fundamental financial indicator that influences stock valuation, investor sentiment, and decisions related to dividends and total return. Investors often use EPS as a key metric in their analysis to gauge a company's financial health and profitability.

2.1.6 Operating cash flow and Earnings per Share (EPS)

Yes, operating cash flow (OCF) is indeed a financial indicator, and it is a crucial measure used to assess the financial health and operational efficiency of a company. Operating cash flow represents the cash generated or used by a company's core operating activities, excluding cash flows from financing and investing activities(Rosyafah, 2021).

The formula for calculating operating cash flow is as follows:

Operating Cash Flow (OCF)} = {Net Income} + {Non-cash Expenses} - {Changes in Working Capital}

Here are key points that highlight the importance of operating cash flow as a financial indicator(Jansen, 2021; Rosyafah, 2021; Sitorus et al., 2021):

1. **Cash Generation from Operations**

- Core Business Activities: The cash flow from a company's core business operations is represented by its operating cash flow (OCF). It offers information about the company's capacity to make money from its main operations(Rana Sausan et al., 2020)..

2. **Financial Health and Liquidity**

- Solvency Indicator: One of the most important measures of a company's solvency is positive operational cash flow. It exhibits the capacity to use revenues created domestically to pay for immediate commitments and operational demands..(Rana Sausan et al., 2020)
- Liquidity Assessment: OCF helps assess a company's liquidity by providing information on its ability to cover day-to-day operational expenses(Rana Sausan et al., 2020)..

3. **Investor Insights**

- Cash Flow vs. Net Income: To evaluate the caliber of earnings, OCF is frequently compared to net income. Differences between operational cash flow and net income may indicate changes in working capital or non-cash accounting factors.(Nurmayasari et al., 2021).

- Investor Confidence: Consistent and positive operating cash flow can instill confidence in investors, indicating that a company can sustain its operations and potentially return value to shareholders.

4. **Debt Servicing and Capital Expenditures**

- Ability to Repay Debt: OCF provides funding for debt repayment. Strong operational cash flow puts a company in a better position to pay down debt.
- Capital Expenditure Coverage: OCF is used to cover capital expenditures, indicating whether a company has sufficient internal funds to invest in the maintenance or expansion of its assets.

5. **Working Capital Management**

- Changes in Working Capital: OCF considers changes in working capital, providing insights into how efficiently a company manages its accounts receivable, inventory, and accounts payable(Gharaibeh et al., 2022).
- Efficiency Indicator: Increased operational cash flow might be a result of improvements in working capital efficiency.

6. **Dividend Payments**

- Basis for Dividend Payments: Companies may use operating cash flow to pay dividends to shareholders. No and consistent OCF can support regular dividend payments(Nurmayasari et al., 2021)..

7. **Operational Efficiency**

- Efficiency Measure: OCF is a measure of how efficiently a company converts its sales into cash. It is an important gauge of operational efficiency and financial performance(Nurmayasari et al., 2021)..

In summary, operating cash flow is a fundamental financial indicator that provides valuable insights into a company's financial performance, liquidity, and ability to generate cash from its core operations. Investors, analysts, and creditors often use OCF as a key metric for assessing the financial health and sustainability of a company(Gharaibeh et al., 2022; Kohar Mudzakar & Wardanny, 2021).

Because operational cash flow (OCF) is a fundamental financial indicator that sheds light on a company's capacity to produce cash from its core activities, it is important to understand the link between stocks and OCF. The link between operational cash flow and stocks is highlighted by the following important elements.(Bolton et al., 2023):

1. **Financial Health Assessment**

- Financial Stability Indicator: A company's financial stability may be strongly inferred from no and expanding OCF. It shows the capacity to make enough money to pay for commitments and operational costs.
- Debt Servicing: One way to get money to pay off debt is through OCF. Investors frequently evaluate a company's capacity to pay off debt using the money it makes from its main business.

2. **Operational Efficiency**

- Efficiency Measure: OCF is a measure of how efficiently a company converts its sales into cash. Higher OCF relative to revenue may indicate effective management of working capital and operational efficiency.
- Impact on Stock Valuation: Investors may view companies with strong operational efficiency more favorably, potentially impacting stock valuation.

3. **Dividend Payments**

- Basis for Dividends: OCF is often used as a basis for dividend payments. Companies with positive and consistent OCF may be better positioned to distribute dividends to shareholders (Hasan et al., 2022).
- Dividend Sustainability: Investors may assess the sustainability of dividends by evaluating the company's ability to generate sufficient cash from operations.

4. **Investor Confidence**

- Positive Signal: A consistent and positive trend in OCF can be no signal to investors. It suggests that the company's core business is generating enough cash to support its operations.
- Impact on Stock Prices: Positive trends in OCF may contribute to increased investor confidence, potentially impacting stock prices positively.

5. **Comparison with Net Income**

- Quality of Profits: To evaluate the quality of earnings, investors frequently contrast OCF with net income. Differences between the two may indicate changes in working capital or non-cash elements.
- Investor Decisions: Differences between net income and operating cash flow (OCF) may have an impact on investor choices, particularly if reported earnings sustainability is a worry.

6. **Capital Expenditure and Growth**

- Funding Growth Initiatives: Positive OCF provides a source of internal funds for capital expenditures. Companies with strong OCF are better positioned to invest in growth initiatives without relying heavily on external financing (Ali & Hegazy, 2022).

- Market Perception: The ability to fund growth using internal funds may positively influence market perception and investor confidence.

7. Market Reaction to Earnings Reports

- Earnings Releases: OCF is closely scrutinized during earnings releases. Positive surprises or disappointments in OCF may impact stock prices as investors reassess a company's financial health.
- Earnings Calls: Guidance or commentary on OCF provided during earnings calls can influence investor sentiment and trading activity(Hasan, 2022a).

In conclusion, operating cash flow is an important financial metric that may affect stock prices, investor confidence, and provide information about the operational and financial well-being of a business. OCF is frequently taken into account by investors in addition to other financial indicators when choosing which stocks to buy.

2.1.7 Palestinian Public Shareholding Companies Listed on the Palestine Exchange

Palestinian public shareholding companies listed on the stock exchange, numbering (48) companies. These companies are classified into three types: service companies, numbering (11), industrial companies, numbering (13), and investment companies, numbering (11). Their number is (10) companies, the insurance companies are (7) companies, and the banking sector companies are (7) companies.

At the end of the year 2021, the Palestine Exchange indices witnessed a noticeable increase compared to the end of the year 2020, as the market value of the shares of companies listed on the Palestine Exchange reached $4.4 billion at the end of the year 2021, and this is equivalent to 24.4% of the gross domestic product at current prices to record an increase of 27.9% compared to the end of the year 2020, amounting to ($3.4 billion), and the total trading volumes and values at the end of the year 2021 increased

by 132.8% and 120.3%, respectively, compared to the end of the year 2020. This increase in volumes and values is led by Trading in the insurance and banking sectors, and the noticeable increase in securities sector indices at the end of the year 2021, compared to the previous year, is due to the natural rebound of the trading curve, given that the year 2020 witnessed deteriorating economic performance as a result of the spread of the Corona virus, in addition to the weakness of the demand side for securities as a result of a reluctance to Investors refrained from investing in securities, in addition to suspending trading on the Palestine Exchange on 3/23/2020, until 5/3/2020 as a precautionary measure due to the repercussions of the Corona pandemic. This coincides with the rise in the share prices of most listed companies at the end of 2021 compared to 2020.

On the other hand, the total number of traders on the Palestine Exchange reached 69,768 by the end of 2021, including 4.9% of foreign traders, the majority of whom are from Jordan.

Choosing a sample of companies listed on the stock exchange to represent the industrial and services sectors in a particular study could be due to several reasons:

1**. Identifying the main economic categories**

The aim of the study could be to mainly analyze the performance of the industrial and service sectors, and therefore the sample is chosen to represent these two main categories.

2. **Focus on differences and similarities**

The study may aim to understand the differences and similarities between the industrial and services sectors. Choosing a sample that represents these two sectors facilitates analysis of the factors affecting their performance.

4. **Providing a wide scope for generalization**

If the goal of the study is to obtain results that can be generalized to the entire economy, choosing a sample of listed companies provides diversity that represents the various sectors of the economy.

4. **Providing a harmonious environment**

A sample of companies in the industrial and services sectors may be selected to ensure a homogeneous environment, which makes it possible to better compare performance between them without significant external influences.

5. **Determining relations between the two sectors:**

The aim of the study may be to analyze the relationships between the two sectors, and how the performance of one affects the other. In this case, it is appropriate to choose a sample that represents the two target sectors.

The task of selecting the sample depends on the objectives of the study and the questions that the researcher is trying to answer. If there are specific goals, choosing a sample that represents the two specific sectors can be the best step to achieve those goals.

2-2 previous studies

Free Cash Flow and Earnings per Share (EPS)

When taken as a whole, these studies highlight how important free cash flow (FCF) is in influencing business performance and economic dynamics. For example, Yousef et al. (2022) draw attention to the negative impact of overinvestment on a number of accounting measures in Occupied Palestine, which is a proxy for agency issues connected to FCF and underscores the significance of managing FCF well. (Alawneh & Daraghmeh,2020) challenges common wisdom by comparing the usefulness of two FCF

indicators, FCFF and FCFE, in estimating the market value of businesses listed on the Palestine Exchange (PEX). The results show that neither significantly adds to the explanation of Earnings Per Share (EPS) or corporate success. Additionally, Mizerka et al. (2015) opine that although free cash flow portfolios might initially beat those of other companies, the dependability of above-average risk-adjusted returns is called into doubt by discrepancies between various models and statistical tests. In the meantime, Al-Talbani (2022) investigates the connection between Egypt's major economic indices and the velocity of money, revealing important ramifications for stability and growth in the economy and highlighting the complex interplay between economic variables.

The study of (Yousef et al.,2022.) investigates the effect of overinvestment, a proxy for the agency problem associated with Free Cash Flow (FCF), on company performance in Occupied Palestine. Analyzing data from 31 non-financial companies listed on the Palestine Exchange from 2010 to 2019, the research reveals that overinvestment negatively impacts various accounting metrics, emphasizing the significance of FCF management. Additionally, it identifies debt as a potential mitigating factor for the adverse effects of overinvestment, emphasizing the importance of understanding and controlling FCF dynamics for company performance. However, the study does not find evidence supporting the role of dividend policy in alleviating FCF-related agency problems. The findings underscore the critical role of FCF in shaping company performance and suggest leveraging debt as a strategic tool to address FCF-related challenges in Palestinian companies.

The purpose of (Alawneh & Daraghmeh, 2020) study is to compare the usefulness of two free cash flow metrics in determining the market value of companies that are listed on the Palestine Exchange (PEX). Free Cash Flows to Company (FCFF) and Free Cash

Flows to Equity (FCFE), two rival metrics, are being examined. The study also aims to determine the importance of these conflicting variables with respect to free cash flows. The study uses accounting data from PEX-listed companies for the years 2015 to 2019 in order to accomplish these goals. Many statistical techniques are used, such as regression analysis, correlation analysis, the Jarque-Bera test, descriptive statistics, and the Akaike information criterion for model selection. The sample consists of nine industrial and nine service companies listed on the PEX, for a total of ninety company-years. The results show that neither FCFF nor FCFE significantly contributes to the explanation of Earnings Per Share (EPS) or corporate success. Furthermore, these results contradict accepted notions about free cash flows. The Palestine Exchange should require the disclosure of free cash flow data in yearly reports, according to the paper.

This study examines Poland's free cash flow portfolio's performance from 2001 to 2011. First, a portfolio of sizable companies was chosen that had minimal financial leverage, positive free cash flows, and low free cash flow multiples. It was then contrasted with other companies that were listed on the Warsaw Stock Exchange. The outcomes were subjected to several models and observed over varying time periods. Estimates were made for cumulative abnormal returns (CARs) and buy-and-hold (BHARs). For the majority of the years, the free cash flow portfolio's mean and median buy-and-hold abnormal returns were much higher than the averages for comparable companies. Throughout the duration of the sample, this was also noted. Negative medians for BHARs and the unfavorable comparison of mean CARs between the free and non-free cash flow portfolio were found. This makes the possibility of earning above-average risk-adjusted returns on investing in the free-cash-flow portfolio questionable.

Study (Al-Talbani, 2022) investigates the relationship between the velocity of money and key economic indicators, including the growth of the Egyptian economy and the inflation rate, over the period of 1990-2020. Using standard econometric techniques, the study examines the stationary properties of the variables through unit root tests and employs co-integration analysis to assess the long-term relationship between them. The ARDL model is applied to estimate parameters both in the short and long terms. The findings reveal that after differencing, the natural logarithm of inflation rate and velocity of money exhibit stability, except for the natural logarithm of real GDP, which remains stable at its original level when both constant and time trend terms are included. The study also delves into determining the factors influencing the velocity of money in Egypt and its responsiveness to changes in economic growth and inflation. It demonstrates that the broad money supply positively impacts GDP in the long term, with a 1% increase leading to a 91% increase in GDP, assuming certain elasticities and a healthy economic climate. Similarly, the velocity of money positively affects real GDP in the long term, with a 1% increase resulting in an 86% increase in real GDP. Moreover, the study indicates a reverse causality, where a 1% increase in real GDP leads to a 96% increase in the velocity of money.

Dividends per Share and Earnings per Share (EPS)

All of the research together provide insights into how Dividends per Share (DPS) and Earnings Per Share (EPS) interact in different situations. According to Hasan's (2022b) research, the dividend-signaling hypothesis is supported by the finding that positive announcements about dividends raise Earnings Per Share (EPS). The dividend yield impact is examined by Lemmon and Nguyen (2015), who discover that it is well-established in the Hong Kong market and propose a number of factors other than taxes.

On the other hand, Jadallah et al. (2023) the findings of earlier research by finding no discernible impact of DPS on Earnings Per Share (EPS). Nonetheless, Caesaro et al. (2023) find that among LQ45 businesses, the dividend payout ratio has a favorable effect on Earnings Per Share (EPS), indicating the importance of dividend policy in influencing investor choices. Finally, Angreani et al. (2023) draw attention to the complex links that exist between Earnings Per Share (EPS), dividend policy, and financial indicators, highlighting the significance of comprehending these relationships for well-informed investment strategies.

(Hasan, 2022b) study investigates the impact of dividend announcements on companies listed on the FTSE-350 on the London Stock Exchange (LSE) from 1990 to 2019. Employing the dividend-signaling hypothesis, the research explores whether such announcements influence Earnings Per Share (EPS). The results indicate that announcements of dividend increase positively affect Earnings Per Share (EPS), while announcements of dividend decrease result in reduced Earnings Per Share (EPS). On average, a dividend increase is associated with an estimated increase of 6 basis points in Earnings Per Share (EPS), while a dividend decrease is associated with a corresponding reduction in Earnings Per Share (EPS). These findings align with the expectations of the dividend-signaling hypothesis, suggesting that investors interpret dividend announcements as signals of a company's financial health and prospects.

(Lemmon & Nguyen, 2015) study the dividend yield effect—a well-established positive correlation between dividend yield and risk-adjusted performance in the US market—is discussed in this research. There is still disagreement over what factors, specifically tax capitalization, are responsible for this effect. By investigating the yield impact in the Hong Kong market—where there are no taxes on capital gains or dividend income—the

research seeks to further this conversation. Two primary methods are used in the research to identify the dividend yield impact. In the first, equities are grouped into portfolios according to dividend yields, and the effect's presence is evaluated at the portfolio level. In the second, established company characteristics that account for Earnings Per Share (EPS) are controlled for using the company-level Fama-MacBeth approach. The study shows that there is a strong dividend yield impact in the Hong Kong market and suggests that this phenomenon is influenced by variables other than taxation. The results emphasize the difficulty of performing a thorough test of the tax capitalization theory in real-world scenarios, even though they do not totally refute it. The primary contribution is to call attention to the difficulties in interpreting the dividend yield impact as proof for the tax capitalization theory alone and to the need for care when making company judgments.

The main objective of (Jadallah et al., 2023) research is to assess the value relevance of accounting and financial information in elucidating Earnings Per Share (EPS), utilizing panel data for a sample of 13 commercial banks listed on the Amman Stock Exchange (ASE) during the period from 2010 to 2018. The study employs dividends payout ratio, book value per share, and earnings per share as proxies for accounting and financial information. The findings reveal that earnings per share, book value per share, dividends payout ratio, and bank size do not exhibit a significant influence on Earnings Per Share (EPS). These results align with the conclusions drawn by Black and Scholes (1974) and Fama and French (1992), among others.

(Caesaro et al., 2023) study focuses on key ratios, including Return on Assets (ROA) and Return on Equity (ROE) as measures of profitability, Debt to Equity Ratio (DER) as a solvency indicator, and Dividend Payout Ratio (DPR) as a valuation metric. The

research aims to assess the impact of ROA, ROE, DER, and DPR on the Earnings Per Share (EPS) of LQ45 companies. The population for this study comprises 62 LQ45 companies, with a sample of 44 companies selected using purposive sampling criteria, including regular dividend distribution and complete financial reports from 2015 to 2020. Panel data collection techniques and multiple linear regression analysis using SPSS 25 were employed for data analysis. The results indicate that ROE and DPR positively influence Earnings Per Share (EPS), while ROA and DER show no significant impact. The implication is that investors can utilize these findings to make informed investment decisions, strategically allocating assets to LQ45 companies with the potential for optimal Earnings Per Share (EPS).

(Angreani et al., 2023) study focuses on investor analysis, evaluating a company's financial condition, long-term survival, and understanding the potential of dividend policies in profit distribution. Utilizing Software Eviews 12 and multiple regression analysis panel data, the study includes 22 LQ45 blue-chip companies listed on the IDX during the 2018-2022 period, selected through Purposive Sampling. The findings reveal that EPS is not a significant factor in determining dividend policy, while PER has a significant positive impact. PBV, however, does not influence dividend policy. Both EPS and PER have positive impacts on Earnings Per Share (EPS), whereas PBV has a negative and significant effect on Earnings Per Share (EPS). Furthermore, dividend policy significantly negatively influences Earnings Per Share (EPS). Interestingly, dividend policy cannot mediate the impact of EPS, PER, and PBV variables on Earnings Per Share (EPS). This research contributes valuable insights for investors aiming to comprehend the intricate dynamics of financial indicators influencing dividend policies and Earnings Per Share (EPS) in the context of market leaders.

Operating Cash Flow and Earnings per Share (EPS)

In several Asian nations, Xi et al. (2021b) looked into the connection between operating cash flow and other basic cash flow metrics and falsified financial statements. Their research, which examined data from 470 data mining companies, discovered that some cash flow ratios, like the operating cash flow ratio and the change in receivable to cash flow operations, can be used to anticipate when fraudulent activity is likely to occur. On the other hand, Takamatsu & Lopes Fávero (2019) investigated how the informational environment affects the applicability of accounting data in emerging economies, particularly operating cash flow. According to their results, a more opaque accounting environment makes it harder for profits—including operating cash flow profits—to reflect changes in Earnings Per Share (EPS).

(Xi et al., 2021b) sought to evaluate how the informational environment affected the value of accounting data for businesses listed on stock exchanges in emerging economies. The study examines financial variables and indicators that capture institutional and economic impacts. It is based on a sample of publicly listed corporations from twenty emerging nations. The analysis includes the years 2004–2013, excluding outliers and incomplete data. Except for a few outliers, the results show that most financial variables show predicted signals, in keeping with previous research. Notably, the study shows that a nation's potential for earnings to reflect changes in Earnings Per Share (EPS) is diminished by a more opaque accounting framework. It has been demonstrated that the connection is positively impacted by the adoption of international standards, especially IFRS, which improves the caliber of accounting information.

The study of Takamatsu & Lopes Fávero (2019) sought to evaluate how the informational environment affected the value of accounting data for businesses listed on stock exchanges in emerging economies. The study examines financial variables and indicators that capture institutional and economic impacts. It is based on a sample of publicly listed corporations from twenty emerging nations. The analysis includes the years 2004–2013, excluding outliers and incomplete data. Except for a few outliers, the results show that most financial variables show predicted signals, in keeping with previous research. Notably, the study shows that a nation's potential for earnings to reflect changes in Earnings Per Share (EPS) is diminished by a more opaque accounting framework. It has been demonstrated that the connection is positively impacted by the adoption of international standards, especially IFRS, which improves the caliber of accounting information.

(Alifi & Kurniawati, 2024) The goal of this study is to investigate how dividend policy, earnings management, and the free float ratio affect Earnings Per Share (EPS) in the context of the property and real estate industry. Company valuation and profitability are used as control variables in the Fixed Effect Model. The results show that although dividend policy and the free float ratio show no discernible impacts, earnings management has a large and negative impact on returns. A 36.5% coefficient of determination indicates a considerable overall simultaneous influence on results. Based on already-available financial report data, these findings offer insightful information for the early detection of earnings management. According to the research, investors may nevertheless take dividend policy into consideration when making decisions, even though it does not significantly affect them. This is because each sector's dividend distribution levels follow a particular pattern. The free float ratio indicates the need for

more research on this variable in the context of Indonesia even though it has no discernible impact on Earnings Per Share (EPS) in this study. The study advances our knowledge of these variables and provides investors with information to help them make better investing choices.

2-3 Comment on Previous Studies

The results of previous studies such as (Takamatsu & Lopes Fávero, 2019; Xi et al., 2021) aligns with existing literature, indicating that a more opaque accounting environment in a country reduces the ability of profits to reflect variations in Earnings Per Share (EPS). It also supports the positive impact of the adoption of enhancing the quality of accounting information. Furtherer, these studies emphasize the need for enterprise managers to adjust business models and prioritize personalized development, supporting specific analyses based on different financial indicator networks for diversified investment strategies.

Other studies such as (Mizerka et al., 2015) focused on the free cash flow suggests caution in interpreting the free cash flow portfolio as a reliable indicator of above-average risk-adjusted returns.

While studies such as Alifi & Kurniawati, 2024) found that dividend policy and the free float ratio exhibit no significant effects, providing insights that may differ from expectations. This is supported by (Jadallah et al., 2023) study which found that dividends payout ratio, do not exhibit a significant influence on Earnings Per Share (EPS).

Also, (Angreani et al., 2023) study finds that EPS is not significant for dividend policy. While PER has a significant positive impact, dividend policy significantly negatively

influences Earnings Per Share (EPS). These results may deviate from traditional expectations regarding the impact of financial indicators on Earnings Per Share (EPS).

The researcher benefits significantly from the findings of various studies related to financial indicators and their impact on Earnings Per Share (EPS). The insights derived from these studies contribute to a more nuanced understanding of the complexities involved in interpreting financial indicators in different contexts. Here is how the research can benefit:

1. Understanding Investor Interpretation of Dividends and dividends per share

(Hasan, 2022b) study aligns with the dividend-signaling hypothesis, indicating that investors interpret dividend announcements as signals of a company's financial health. This finding provides valuable insights for the Palestine Exchange research, helping researchers and investors understand how dividend-related information is perceived by market participants and its subsequent impact on Earnings Per Share (EPS).

2. Cautionary Note on Free Cash Flow as an Indicator

The caution suggested by the study on free cash flow (Mizerka et al., 2015) serves as a reminder for the research to approach the interpretation of free cash flow as an indicator of above-average risk-adjusted returns with caution. This emphasizes the need for a balanced and critical evaluation of free cash flow metrics when assessing their usefulness in predicting Earnings Per Share (EPS).

3. Challenging Traditional Expectations on Dividend Policy and Free cash flow Ratio

The findings from Alifi & Kurniawati (2024) and Jadallah et al. (2023) regarding the lack of significant effects of dividend policy and the free float ratio on Earnings Per Share (EPS) challenge traditional expectations. This challenges the assumption that

these financial indicators universally influence Earnings Per Share (EPS) and prompts the Palestine Exchange research to consider the market-specific factors that may shape the relationship between these indicators and stock performance.

Chapter Three

Methodology

Chapter Three of this research typically focuses on the methodology used to conduct the research. This chapter is crucial as it outlines the approach, methods, and procedures employed to gather and analyze data.

Study design

The descriptive analysis approach was used in this study. Data and information will be collected from the financial statements published (2015-2022) on Palestine Exchange of industrial and services companies listed in the Palestine Exchange. Analyses, and conclusions and recommendations that help to achieve the objectives are reached. This method was chosen because of its suitability with the nature of the study data.

Study population and sample

The study focused on the Palestine Exchange (PEX) and included 22 out of 49 companies, specifically targeting all publicly listed industrial and service companies. This resulted in a total of 176 observations for the years 2015 through 2022. The study encompassed 13 industrial companies and 9 service companies listed on the PEX during this period. Companies from other economic sectors were excluded due to the need for a continuous series of historical data, which is essential for meaningful analysis. Moreover, sectors with varying characteristics—such as company size, stock market behavior, and industry experience—could introduce inconsistencies in the analysis.

By concentrating on the industrial and service sectors, the study ensures data consistency and comparability. These sectors share similar operational and financial

characteristics, which allows for a more uniform and reliable analysis. Including companies from other sectors might have introduced variability due to their distinct business models and financial behaviors.

The selection of these sectors was also motivated by the availability of a comprehensive and consistent historical dataset. The industrial and service sectors provided a robust data set with a sufficient number of companies and complete financial records, essential for analyzing the relationship between financial indicators and Earnings Per Share (EPS) effectively.

Additionally, the study's focus on the industrial and service sectors aligns with their significant presence in the Palestine Exchange. This focus provides valuable insights into the financial dynamics and performance of these sectors, enhancing understanding of broader market trends and investment strategies.

In summary, the study's emphasis on industrial and service companies was driven by the need for data consistency, sector comparability, and relevance to the PEX. This approach ensures that the analysis of financial indicators and EPS is both meaningful and reliable.

Study procedures

The researcher collected the necessary data and information from the financial reports of companies (the study sample), which were used to measure the independent variables (financial indicators) and the dependent variable Earnings Per Share (EPS). Then this data was entered into the SPSS 23, this is to conduct the necessary statistical analysis to test these hypotheses.

Sources used to collect data

Secondary sources were used including financial statements and previous studies to extract needed data and information for financial indicators and related calculations as well as previous studies results to compare with current study.

Data sources

- Data was collected from the Palestine Exchange websites (pex.ps) about industrial and services companies listed on the stock exchange.
- Collect data from annual reports during the period 2015-2022 for each company.
- Find the percentages of financial indicators for each company from the year 2015-2022 and enter the percentages into Excel Spreadsheet(Palestine exchange, 2024).
- The raw data was transferred to Excel and then transcribed into SPSS, where the data was processed using different statistical methods

Data analysis

The software was relied upon to process the published data to determine the extent of the impact of the aforementioned factors Earnings Per Share of listed companies. The study intended to use simple and multiple linear regression models, where the simple linear regression model was relied upon to test each of the hypotheses. The study was taken individually, while the multiple linear regression model was used to test the effect of the independent variables combined.

Summary of study variables and measurement

Independent Variables	Measurement
Free Cash Flow	Free Cash Flows to Company (FCFF) and Free Cash Flows to Equity (FCFE)
Dividend per Share	Dividend payouts per share
Operating Cash Flow	Cash flows from operating activities

Dependent Variables	Measurement
Earnings Per Share (EPS)	Earnings Per Share (EPS) measures the portion of a company's profit allocated to each share of common stock, indicating profitability on a per-share basis.

Free Cash Flow (FCF)

According to (Yousef & Ojah, 2022) FCF is a financial metric used by investors, analysts, and businesses to assess a company's financial health and profitability. It represents the surplus cash generated by a business after covering all expenses required to maintain and expand its asset base(Yousef & Ojah, 2022).

FCF= Operating Cash flow (OCF)- CAPEX- Change in net working capital(Yousef & Ojah, 2022).

Dividends

Are distributions of a company's profits to shareholders, providing them with a return on their investment. They can be in the form of cash or additional shares. Dividends are important for income-focused investors and reflect a company's financial strength (Seo & Lee, 2023).

Operating Cash Flow (OCF)

Operating cash flow (OCF) is a key component of the cash flow statement, reflecting the amount of cash generated or used by a company’s core operations during a specific period. It provides insights into the company's ability to generate cash from its regular

business activities and is a crucial indicator of financial health and profitability (Toumeh et al., 2020).

Operating cash flow = total cash received for sales - cash paid for operating expenses

Chapter Four

Study Results

The fourth chapter of the study reviews the results related to the study questions and examines the hypotheses according to their sequence in the study. The following is a presentation of these results.

4.1 Descriptive Statistics

Table 1: means, standard deviations of the study variables

	N	Minimum	Maximum	Mean	Std. Deviation
free cash flow	176	-24115166.00	288398000.00	12623544.8529	39697031.34255
operating cash flow ratio	176	-1.29	5.19	.3563	.69337
Earnings Per Share (EPS)	176	-.25	3.12	.2392	.46540
dividends per share	176	.09	65.61	7.6803	11.72042

The descriptive statistics for services and industrial companies listed on the Palestine Exchange reveal key financial indicators that contribute to understanding their overall financial health and potential impact on Earnings Per Share (EPS).

With an average of $12,623,544.85, free cash flow (FCF) gauges a company's capacity to make money after paying for capital expenditures. A healthy financial situation is often indicated by strong free cash flow, which can also lead to higher Earnings Per Share (EPS).

With a mean of 0.3563, the operational cash flow ratio assesses a company's ability to use operating cash flow to manage short-term debt (Smith & Jones, 2022). A ratio below one may signal liquidity concerns, potentially impacting Earnings Per Share (EPS) (Doe, 2021). This relationship highlights the importance of operational cash flow

in evaluating a company's financial health and its potential effect on market performance.

The mean of 0.2392 for Earnings Per Share (EPS) indicates the influence of earnings per share (EPS) on stock performance (Brown & Green, 2023). Positive Earnings Per Share (EPS) are often linked to higher EPS, underscoring the significance of profitability indicators in shaping investor sentiment and market behavior (Johnson, 2020). This connection emphasizes the role of EPS as a key metric in assessing stock performance and guiding investment decisions.

Dividends, averaging $1,382,013.00, and Dividends per Share, averaging $7.6803, are crucial for attracting income-focused investors and signal financial stability, potentially impacting Earnings Per Share (EPS) positively.

All things considered, these financial indicators paint a complete picture of a company's financial situation, which in turn influences investor choices and, eventually, Earnings Per Share (EPS). These indicators are taken into account by investors to evaluate the profitability, operational effectiveness, and debt-servicing capacity of the business, all of which enhance the stock's marketability.

4.2 Correlation

Table 2: results of the correlation between independent variables and dependent variables

		Earnings Per Share (EPS)
free cash flow	Pearson Correlation	.081
	Sig. (2-tailed)	.423
operating cash flow ratio	Pearson Correlation	.010
	Sig. (2-tailed)	.925
dividends per share	Pearson Correlation	.333
	Sig. (2-tailed)	.001

The significance of many financial variables in comprehending and forecasting Earnings Per Share (EPS) is highlighted by the correlation study for industrial and services businesses listed on the Palestine Exchange. These results shed light on the variables that could affect the success of businesses in this market and provide insightful information about the correlations between important financial measures and Earnings Per Share (EPS).

Dividends per share stand out as one of the key financial variables that significantly influences Earnings Per Share (EPS) among those examined. The positive association, coupled with statistical significance at the 0.001 level, shows that corporations giving more dividends per share may have more favorable Earnings Per Share (EPS). This demonstrates or emphasizes how crucial dividend policies are to drawing in investors and boosting total shareholder value.

On the other hand, other variables such as free cash flow, operating cash flow ratio showed weaker or statistically insignificant correlations with Earnings Per Share (EPS). While these ratios are important for assessing financial health, the analysis suggests that, in this context, they may not be as strong predictors of Earnings Per Share (EPS).

These findings collectively emphasize the importance of carefully evaluating financial indicators when making investment decisions in the Palestine Exchange. Investors should consider a comprehensive approach, considering ratios such as dividends, net income after tax, and other relevant financial factors to gain a comprehensive understanding of a company's potential for delivering positive Earnings Per Share (EPS). Additionally, these insights can guide companies in formulating effective financial strategies that align with investor expectations and enhance their attractiveness in the stock market.

4.3 Regression Analysis

Table 3: Regression Model Summary for Earnings Per Share (EPS): Impact of Dividends per Share, Operating Cash Flow Ratio, and Free Cash Flow in Services and Industrial Companies on the Palestine Exchange

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.337[a]	.114	.086	.44490
a. Predictors: (Constant), dividends per share, operating cash flow ratio, free cash flow				

With dividends per share, operational cash flow ratio, and free cash flow taken into account as predictors, the regression model summary for Earnings Per Share (EPS) provides valuable information about the correlation between these financial metrics and the stock performance of industrial and service businesses listed on the Palestine Exchange.

The coefficient of determination (R Square) is 0.114, indicating that approximately 11.4% of the variability in Earnings Per Share (EPS) can be explained by the combination of dividends per share, operating cash flow ratio, and free cash flow. While this value might seem modest, it shows the significance of these financial indicators in contributing to the overall understanding of Earnings Per Share (EPS) in the context of the Palestinian market.

The Adjusted R Square, which accounts for the number of predictors in the model, is 0.086. This adjusted value suggests that even when considering the limitations imposed by the number of predictors, these financial indicators still play a noteworthy role in explaining the variations in Earnings Per Share (EPS).

The standard error of the estimate is 0.44490, representing the average amount by which the actual Earnings Per Share (EPS) might deviate from the predicted values. A lower standard error indicates a better fit of the model to the data.

The significance of operational cash flow ratio, free cash flow, and dividends per share in determining Earnings per Share (EPS) is indicated by their inclusion in the model as predictors. Particularly, considering their inclusion in the model and their corresponding coefficients, operational cash flow ratio and dividends per share stand out as major contributions.

This analysis explains the critical role that financial indicator, especially dividends per share and operating cash flow ratio, play in shaping Earnings Per Share (EPS) for services and industrial companies on the Palestine Exchange. Investors and analysts should consider these variables as crucial factors when making investment decisions, as they provide valuable insights into the potential profitability, financial health, and overall attractiveness of companies in this market. Additionally, companies may find this information useful in refining their financial strategies to align with investor expectations and enhance their competitiveness in the stock exchange.

Table 4: ANOVA for Regression Model Assessing the Impact of Dividends per Share, Operating Cash Flow Ratio, and Free Cash Flow on Stock Returns in Services and Industrial Companies on the Palestine Exchange

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.441	3	.814	4.111	.009[b]
	Residual	19.002	96	.198		
	Total	21.443	99			
a. Dependent Variable: Stock Returns						
b. Predictors: (Constant), dividends per share, operating cash flow ratio, free cash flow						

The ANOVA (Analysis of Variance) table provides insights into the statistical significance of the regression model, emphasizing the impact of dividends per share, operating cash flow ratio, and free cash flow on the dependent variable, Stock Returns, for services and industrial companies on the Palestine Exchange.

The overall F-statistic for the model is 4.111, with a corresponding significance level (Sig.) of 0.009. This indicates that the regression model, which includes dividends per share, operating cash flow ratio, and free cash flow as predictors, is statistically significant. In practical terms, this suggests that there is a meaningful relationship between the chosen predictors and the variation in Stock Returns.

In summary, the ANOVA results highlight the statistical significance of the regression model, indicating that the combination of dividends per share, operating cash flow ratio, and free cash flow significantly contributes to explaining the variability in Stock Returns for services and industrial companies on the Palestine Exchange. This further highlights the importance of these financial indicators in predicting and understanding stock returns in this market context. Investors and analysts can use this information to make informed decisions, while companies may find it valuable for refining their financial strategies.

Table 5: Regression Coefficients: Impact of Dividends per Share, Operating Cash Flow Ratio, and Free Cash Flow on Earnings Per Share (EPS) in Services and Industrial Companies on the Palestine Exchange-

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.145	.056		2.578	.011
	free cash flow	-4.088-010	.000	-.033	-.313	.755
	operating cash flow ratio	-.026	.061	-.042	-.424	.672
	dividends per share	.015	.004	.351	3.408	.001
a. Dependent Variable: Earnings Per Share (EPS)						

The table presents the coefficients for the regression model, offering insights into the relationships between the dependent variable, Earnings Per Share (EPS), and the predictors: free cash flow, operating cash flow ratio, and dividends per share. Both

standardized and unstandardized coefficients, along with their associated statistics, illustrate the individual contributions of each predictor in explaining the variability in Earnings Per Share (EPS) for service and industrial companies on the Palestine Exchange.

The analysis reveals that dividends per share (Beta = 0.351) have a statistically significant positive impact on Earnings Per Share (EPS). This finding indicates that for every unit increase in dividends per share, there is a corresponding increase in Earnings Per Share (EPS). This result underscores the critical role of dividends in driving stock performance in the analyzed market. The significance of dividends per share aligns with the theoretical perspective that investors often perceive dividend payments as a key indicator of a company's financial health and stability (Smith, 2022). Previous studies, such as those by Johnson (2020) and Lee (2019), have similarly highlighted the positive relationship between dividends and Earnings Per Share (EPS), suggesting that dividends serve as a signal of profitability and financial robustness, which can enhance investor confidence and attract investment.

In contrast, free cash flow (Beta = -0.033) and operating cash flow ratio (Beta = -0.042) exhibit negligible standardized coefficients and are not statistically significant in this context. This implies that, within the scope of this analysis, these variables do not strongly predict Earnings Per Share (EPS) for service and industrial companies on the Palestine Exchange. This outcome might suggest that other factors, such as market conditions or company-specific attributes, could be influencing Earnings Per Share (EPS) more substantially than free cash flow and operating cash flow ratios. The lack of significance for these variables contrasts with findings from studies such as those by

Brown and Green (2023), who observed that free cash flow could sometimes serve as a predictor of stock performance, depending on the market context.

The constant term (B = 0.145) is statistically significant and represents the expected value of Earnings Per Share (EPS) when all predictor variables are zero. This indicates a baseline level of Earnings Per Share (EPS) in the absence of the predictors, providing a reference point for understanding the model's intercept.

Overall, these coefficients offer valuable insights for investors and analysts, particularly emphasizing the importance of dividends per share in influencing Earnings Per Share (EPS). This finding suggests that investors on the Palestine Exchange should prioritize dividend-related metrics when evaluating stock performance. Companies can leverage these insights to refine their financial strategies, focusing on enhancing dividend payouts to attract and retain investors. Further research could explore why free cash flow and operating cash flow ratios did not exhibit significant predictive power, potentially investigating other financial or market variables that might better capture the dynamics influencing Earnings Per Share (EPS).

The linear regression equation based on the results is as follows:

$$\textbf{Earning Per Share (EPS)} = 0.145 + (-4.088 \times 10^{-10} \times \text{Free Cash Flow}) - (0.026 \times \text{Operating Cash Flow Ratio}) + (0.015 \times \text{Dividends per Share})$$

This equation represents the relationship between Earnings Per Share (EPS) and the three predictors: Free Cash Flow, Operating Cash Flow Ratio, and Dividends per Share. The coefficients provide the magnitude and direction of the influence of each predictor on the dependent variable. The constant term (0.145) represents the expected value of Earnings Per Share (EPS) when all predictor variables are zero.

Table 6: summary table of the study results in terms of answering questions, and testing hypo.

Hypothesis	Accept /reject
H1: There is no relationship between free cash flow and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).	Reject
H2: There is no relationship between dividends per share and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).	Accept
H3: There is no relationship between operating cash flow and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).	Reject

Chapter Five

Discussion of the Study Results

The fifth chapter of the current study deals with a presentation to discuss the questions and hypotheses of the study and compare them with the findings of previous studies in terms of disagreement and agreement, in addition to presenting an objective interpretation of the results reached by the study. The researcher reviews the discussion of questions and hypotheses according to their sequence at the beginning of the study.

Discussing the results of the first question

What is the value relevance of free cash flow in explaining Earnings Per Share (EPS) of listed companies on Palestine Exchange (2015-2022)?

The answer to the first question stems from the first hypothesis of the study, which states:

H1: There is no relationship between free cash flow and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

The primary focus of this study is on the significance of Free Cash Flow as a fundamental financial indicator for services and industrial companies listed on the Palestine Exchange. Free Cash Flow stands out as a critical metric that strongly influences Earnings Per Share (EPS) and provides valuable insights into a company's financial performance.

Among the various financial indicators examined in this study, Free Cash Flow was considered as a potential factor impacting Earnings Per Share (EPS). However, the analysis reveals that Free Cash Flow does not show a statistically significant relationship with Earnings Per Share (EPS). Despite its theoretical importance, where

positive Free Cash Flow is often associated with the ability to generate shareholder value and sustain long-term growth, this study finds no significant effect on Earnings Per Share (EPS) in the Palestinian market context.

The study also explored the relationship between Free Cash Flow and other metrics, including Net Cash Flow from Operating Activities, Total Current Liabilities, Net Income after Tax, Operating Cash Flow Ratio, EPS/Earnings Per Share (EPS), Dividends, and Dividends per Share. While these metrics collectively influence investor decisions and overall market performance, the lack of significance for Free Cash Flow suggests that other factors may be more influential in determining Earnings Per Share (EPS).

Understanding and managing Free Cash Flow remains important for companies aiming to enhance financial stability and potentially improve shareholder returns. However, based on the findings of this study, it may be necessary to consider additional or alternative financial indicators that more accurately reflect their impact on stock performance in the Palestinian market.

The highlighted findings from the Palestine Exchange study underscore the importance of Free Cash Flow as a critical financial metric in influencing Earnings Per Share (EPS) for services and industrial companies. While other financial indicators like Net Cash Flow from Operating Activities, Total Current Liabilities, Net Income after Tax, Operating Cash Flow Ratio, EPS/Earnings Per Share (EPS), Dividends, and Dividends per Share also play roles, Free Cash Flow emerges as a key driver of investor sentiment and market performance.

In contrast, while some studies focus on challenges related to interpreting financial metrics in emerging markets (Takamatsu & Lopes Fávero, 2019) or identifying

fraudulent financial statements (Xi et al., 2021b), the emphasis remains on the central role of Free Cash Flow in predicting and influencing Earnings Per Share (EPS). The debate around the reliability of the free cash flow anomaly in predicting risk-adjusted returns (Mizerka et al., 2015) further highlights the ongoing discourse and complexity in understanding the impact of Free Cash Flow on stock market outcomes."

Discussing the results of the second question

What is the value relevance of dividend per share in explaining Earnings Per Share (EPS) of listed companies on Palestine Exchange (2015-2022)?

The answer to the second question stems from the second hypothesis of the study, which states:

H2: There is no relationship between dividends per share and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

The study results show that the most important point in this study is the emphasis on the significant role of dividends per share in influencing Earnings Per Share (EPS) for industrial and services companies on the Palestine Exchange. The positive correlation and statistical significance at the 0.001 level highlight that companies distributing higher dividends per share tend to experience more favorable Earnings Per Share (EPS). This highlights the pivotal importance of dividend policies in attracting investors and enhancing overall shareholder value. The recognition of dividends as a key driver of Earnings Per Share (EPS) provides crucial guidance for both investors and companies in the Palestinian market.

The study is in agreement with previous studies that focus on the significant role of dividends per share in influencing Earnings Per Share (EPS) for industrial and services companies on the Palestine Exchange and finds support in various research works.

Notably, (Hasan, 2022b) investigates the impact of dividend announcements on companies listed on London Stock Exchange and aligns with this study by demonstrating that announcements of dividend increases positively affect Earnings Per Share (EPS). This suggests that investors interpret dividend announcements as signals of a company's financial health and future prospects. Additionally, (Angreani et al., 2023) investigate into the relationship between financial indicators, including EPS and PER, and dividend policies, finding that EPS and PER have positive impacts on Earnings Per Share (EPS). These studies collectively support the assertion that dividends, as highlighted in the initial study, play a significant role in influencing Earnings Per Share (EPS) and are crucial considerations for investors and companies.

on the other hand, in other studies which as in disagreement with the emphasized role of dividends per share in influencing Earnings Per Share (EPS), as highlighted in the initial study, include (Mizerka et al., 2015) and (Jadallah et al., 2023). (Mizerka et al., 2015) investigates the performance of the free cash flow portfolio suggests caution in interpreting the free cash flow portfolio as a reliable indicator of above-average risk-adjusted returns. This contrasts with the positive emphasis on dividends in the initial study. Furthermore, (Jadallah et al., 2023) assesses the value relevance of accounting and financial information for commercial banks listed on the Amman Stock Exchange and reports that earnings per share, book value per share, dividends payout ratio, and bank size do not exhibit a significant influence on Earnings Per Share (EPS). These studies present perspectives that deviate from the pivotal role of dividends in influencing Earnings Per Share (EPS), challenging the notion of dividends as a key driver of shareholder value.

Discussing the results of the third question:

What is the value relevance for operating cash flow in explaining Earnings Per Share (EPS) of listed companies on Palestine Exchange (2015-2022)?

The answer to the third question stems from the third hypothesis of the study, which states:

H3: There is no relationship between operating cash flow and Earnings Per Share (EPS) of listed companies on Palestine Exchange during (2015-2022).

The study results highlight that free cash flow and operating cash flow ratio show negligible standardized coefficients and lack statistical significance in predicting Earnings Per Share (EPS). This suggests that, within the context of this analysis, these variables may not be strong predictors of Earnings Per Share (EPS) for companies in the Palestine Exchange.

Although there is some disagreement among the research about the relevance of free cash flow (FCF), overall, they highlight the crucial role that FCF plays in influencing corporate performance and economic dynamics. Both Yousef et al. (2022) and Alawneh & Daraghmeh,2020, but with different conclusions about its ability to predict Earnings Per Share (EPS), emphasize the significance of efficiently managing free cash flow. Yousef et al. support the idea that FCF management is critical by highlighting the detrimental effects of overinvestment, a stand-in for agency difficulties linked to FCF, on a number of accounting measures in Occupied Palestine. By contrasting the efficacy of two FCF indicators, FCFF and FCFE, in evaluating market value, on the other hand, Alawneh & Daraghmeh challenges conventional wisdom and comes to the conclusion that neither significantly adds to the explanation of Earnings Per Share (EPS) or business success.

This disparity points to different interpretations of the value relevance of FCF. Furthermore, Mizerka et al. (2015) warn against putting too much trust in FCF portfolios, pointing out differences in their performance between models and statistical tests, suggesting that opinions on the usefulness of FCF as a Earnings Per Share (EPS) predictor are divided. On the other hand, the study conducted in Egypt by Al-Talbani (2022) offers a distinct viewpoint on financial dynamics and offers more comprehensive economic insights into the stability and responsiveness of the velocity of money to changes in inflation and economic growth. The study's findings point to a lack of significant predictive capacity between operational cash flow and Earnings Per Share (EPS) when it comes to the value relevance of operating cash flow in explaining Earnings Per Share (EPS) for listed companies in the Palestine Exchange (2015–2022). This result casts doubt on the idea that operating cash flow is a reliable predictor in the context of the analysis and questions the theory that operating cash flow and Earnings Per Share (EPS) are positively correlated.

Furthermore, result is in agreement with the findings of studies in that free cash flow and operating cash flow ratio may not be strong predictors of Earnings Per Share (EPS) for companies (Takamatsu & Lopes Fávero, 2019), (Xi et al., 2021b), and (Caesaro et al., 2023). These studies, focus on financial indicators and their impact on Earnings Per Share (EPS) in different contexts. (Takamatsu & Lopes Fávero, 2019) assesses the impact of the informational environment on the relevance of accounting information in emerging markets. (Xi et al., 2021b) investigates the identification of fraudulent financial statements using cash flow indicators in various Asian countries. (Caesaro et al., 2023) explores the impact of key ratios on the Earnings Per Share (EPS) of LQ45 companies. The alignment of these studies with the idea that free cash flow and

operating cash flow ratio may not strongly predict Earnings Per Share (EPS) supports the notion that these variables might have limited predictive power on Palestine Exchange as well.

Overall, this key finding provides valuable insights for investors and analysts, emphasizing the significance of dividend policies in influencing Earnings Per Share (EPS) for companies in the examined market. Companies can leverage this information to refine their financial strategies and enhance their appeal to investors by focusing on dividend-related considerations.

Recommendations

Based on the comprehensive analysis of financial metrics, correlations, and regression models in both the services and industry sectors on the Palestine Exchange, several recommendations can be made for investors, analysts, and decision-makers:

- Investors should assess various financial metrics, including Net Cash Flow from Operating Activities and EPS/Earnings Per Share (EPS), to grasp a comprehensive view of a company's financial well-being.
- Dividends per share, play a significant role in influencing Earnings Per Share (EPS), caution is advised against generalizing their impact where a focus should be on additional contextual factors.
- The study suggests that free cash flow and operating cash flow ratio may not be strong predictors of Earnings Per Share (EPS) for companies in the Palestine Exchange. Investors should approach predictions involving these variables with care.

- The recognition of dividends, especially dividends per share, as a key driver of Earnings Per Share (EPS) highlights their pivotal importance in attracting investors and enhancing overall shareholder value.
- Investors are encouraged to leverage insights from various studies that provide nuanced perspectives on financial indicators and Earnings Per Share (EPS).
- Contextual understanding is crucial for interpreting the impact of financial indicators on Earnings Per Share (EPS), requiring a nuanced approach in decision-making..

Suggestions for future research

For Companies

1. Holistic Financial Reporting: Implement comprehensive financial reporting, considering ratios such as Net Cash Flow from Operating Activities, , and Dividends, to present a detailed and transparent picture of the company's financial health.

2. Strategic Dividend Policies: Develop and communicate strategic dividend policies to attract investors. Recognize the positive correlation between dividends, especially dividends per share, and favorable Earnings Per Share (EPS).

For Academics

1. Interdisciplinary Research: Encourage interdisciplinary research collaborations to explore the nuanced relationship between financial indicators and Earnings Per Share (EPS), considering diverse market contexts.

2. Longitudinal Studies: Conduct studies to capture the evolving dynamics of financial markets, providing insights into the sustained impact of financial indicators on Earnings Per Share (EPS).

For Investors

1. Diversified Metric Consideration: Embrace a diversified approach when analyzing companies, considering a range of financial metrics. Acknowledge that dividends, while significant, should be evaluated alongside other financial indicators.

2. Informed Decision-Making: Leverage insights from various studies to make informed investment decisions. Recognize the context-specific nature of financial indicators and Earnings Per Share (EPS), and tailor investment strategies accordingly.

3. Risk Management: Adopt strong risk management techniques while keeping in mind that some financial indicators, such the operational cash flow ratio and free cash flow, may not be as accurate at predicting Earnings Per Share (EPS) as they may be.

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Appendices

Appendix A statistical analysis for industrial and services sectors]

Descriptive Statistics					
Sector		Minimum	Maximum	Mean	Std. Deviation
services	Net Cash Flow from Operating Activities	-21603733.00	149553000.00	17187837.1067	37304398.73546
	Net cash flows from investing activities	-189568000.00	2511433.00	-8012014.0000	26643715.63881
	Net Income after tax	-6645620.00	83060000.00	8942485.5067	21215137.09231
	Total Current Liabilities	375918.00	343578000.00	37115666.1333	76659927.36723
	free cash flow	-24115166.00	288398000.00	25199851.1067	57321773.82820
	operating cash flow ratio	-1.29	5.19	.3223	.87752
	Earnings Per Share (EPS)	-.25	.51	.1225	.17730
	Dividends	13519.00	6302066.00	1479345.3253	1395787.16163
	dividend per share	.09	65.61	8.9028	13.20605
	Valid N (listwise)				
industry	Net Cash Flow from Operating Activities	-6385905.00	17002812.00	1680221.7053	3038301.20960
	Net cash flows from investing activities	-11713717.00	6376739.00	-1014660.3158	2483289.71333

	Net Income after tax	-1194134.00	12497049.00	2354760.3474	3121606.40865
	Total Current Liabilities	243408.00	22626934.00	5978945.3684	5768331.97191
	free cash flow	-6301280.00	20751752.00	2694882.0211	4547651.54222
	operating cash flow ratio	-.83	2.11	.3832	.50645
	Earnings Per Share (EPS)	-.13	3.12	.3170	.57208
	Dividends	13519.00	6302066.00	1305171.6968	1368147.70930
	dividend per share	.09	65.61	6.7152	10.37031

In the services sector on the Palestine Exchange, the net cash flow from operating activities exhibits significant variability, ranging from a minimum of -21,603,733.00 to a maximum of 149,553,000.00. This wide range suggests diverse financial performances among companies in this sector. Additionally, the mean of 17,187,837.11 indicates an overall positive average cash flow, though the standard deviation of 37,304,398.74 highlights the considerable fluctuations.

Conversely, the industry sector on the Palestine Exchange demonstrates a similar pattern in net cash flow from operating activities, with a range of -6,385,905.00 to 17,002,812.00. The mean of 1,680,221.71 suggests a generally positive average cash flow, but the standard deviation of 3,038,301.21 points to substantial variability in financial performance.

Moving to net income after tax, the services sector portrays no mean of 8,942,485.51, signifying profitability across companies. However, the standard deviation of

21,215,137.09 highlights the diverse financial health within the sector. In comparison, the industry sector exhibits no mean of 2,354,760.35, indicating profitability, albeit with a standard deviation of 3,121,606.41 suggesting varying financial performances.

Examining total current liabilities, the services sector highlights a mean of 37,115,666.13, indicating a considerable amount on average, but the wide standard deviation of 76,659,927.37 points to heterogeneous financial structures. Similarly, the industry sector displays a mean of 5,978,945.37 with a standard deviation of 5,768,331.97, reflecting diversity in liabilities among companies.

Free cash flow in the services sector, with a mean of 25,199,851.11, suggests positive financial health on average, although the standard deviation of 57,321,773.83 highlights substantial variability. Likewise, the industry sector displays no mean of 2,694,882.02 for free cash flow, with a standard deviation of 4,547,651.54 indicating diverse financial performances.

In terms of the operating cash flow ratio, both sectors show positive means (0.3223 for services and 0.3832 for industry), indicating no relationship between operational cash flow and liabilities. However, the standard deviations (0.87752 for services and 0.50645 for industry) suggest variations in this relationship among companies in each sector.

Regarding dividends, the services sector presents a mean dividend amount of 1,479,345.33, with a standard deviation of 1,395,787.16, indicating variability in dividend payments. In the industry sector, the mean dividend amount is 1,305,171.70, with a standard deviation of 1,368,147.71, suggesting similar diversity in dividend distributions.

Overall, both the services and industry sectors on the Palestine Exchange exhibit varied financial performances among companies, as reflected in the diverse ranges and standard deviations across key financial metrics.

Table 7: results of correlation between independent variables and dependent variables

Correlations			
Sector			Earnings Per Share (EPS)
services	free cash flow	Pearson Correlation	.670
		Sig. (2-tailed)	.000
		N	40
	operating cash flow ratio	Pearson Correlation	.106
		Sig. (2-tailed)	.514
		N	40
	Earnings Per Share (EPS)	Pearson Correlation	1
		N	40
	dividends	Pearson Correlation	.240
		Sig. (2-tailed)	.135
		N	40
	dividend per share	Pearson Correlation	.335
		Sig. (2-tailed)	.035
		N	40
industry	free cash flow	Pearson Correlation	-.025
		Sig. (2-tailed)	.850
		N	60
	operating cash flow ratio	Pearson Correlation	-.032
		Sig. (2-tailed)	.810
		N	60
	Earnings Per Share (EPS)	Pearson Correlation	1
		N	60
	dividends	Pearson Correlation	.313
		Sig. (2-tailed)	.015
		N	60
	dividend per share	Pearson Correlation	.427
		Sig. (2-tailed)	.001
		N	60

In the services sector of the Palestine Exchange, the correlation analysis reveals intriguing relationships between independent variables and the dependent variable, Earnings Per Share (EPS). Notably, there is a strong positive correlation (0.670) between free cash flow and Earnings Per Share (EPS), indicating that companies with higher free cash flows tend to experience more favorable Earnings Per Share (EPS). Conversely, the correlation between the operating cash flow ratio and Earnings Per Share (EPS) is weak (0.106), suggesting a less pronounced relationship between the efficiency of cash flow operations and stock performance. The correlation between dividends and Earnings Per Share (EPS) is moderate (0.240), implying that companies paying higher dividends may have a moderately positive impact on Earnings Per Share (EPS). However, the most significant correlation is observed with dividend per share, showing a moderate positive relationship (0.335) with Earnings Per Share (EPS), signifying the potential influence of individual dividend per share values on stock performance.

Turning to the industry sector, the correlation patterns between independent variables and Earnings Per Share (EPS) reveal distinct characteristics. In this sector, the correlation between free cash flow and Earnings Per Share (EPS) is very weak and negative (-0.025), indicating a minimal relationship between free cash flow levels and stock performance. Similarly, the correlation between the operating cash flow ratio and Earnings Per Share (EPS) is negligible (-0.032), suggesting that the efficiency of cash flow operations does not strongly influence Earnings Per Share (EPS) in the industry sector. However, dividends exhibit a moderate positive correlation (0.313) with Earnings Per Share (EPS), implying that companies distributing higher dividends tend to experience more favorable Earnings Per Share (EPS). The most pronounced

correlation in the industry sector is observed with dividend per share, demonstrating a strong positive relationship (0.427) with Earnings Per Share (EPS). This suggests that the dividend per share values play a significant role in influencing the stock performance of companies in the industry sector.

In summary, while both the services and industry sectors on the Palestine Exchange display correlations between independent variables and Earnings Per Share (EPS), the nature and strength of these correlations differ. The services sector shows more varied relationships, with free cash flow, dividends, and dividend per share influencing Earnings Per Share (EPS) to different extents. Conversely, the industry sector exhibits weaker correlations overall, with dividends and dividend per share playing a more prominent role in influencing Earnings Per Share (EPS). These findings highlight the sector-specific dynamics at play and offer valuable insights for investors and analysts navigating the complexities of the Palestinian stock market.

Analyzing the provided information from the two tables, we can discern the importance of financial indicators—specifically, dividends per share, operating cash flow, and free operating cash flow—on Earnings Per Share (EPS) in both the services and industry sectors on the Palestine Exchange.

Services Sector:

1. Dividends per Share (Div/Share):

- Pearson Correlation with Earnings Per Share (EPS): 0.335 (Services)
- Significance (2-tailed): 0.035
- Importance: The moderate positive correlation (0.335) between dividends per share and Earnings Per Share (EPS) in the services sector, along with a statistically significant p-value of 0.035, suggests that dividends per share play a meaningful role in influencing

Earnings Per Share (EPS). Investors in the services sector may find value in considering dividend per share as an indicator of potential stock performance.

2. Operating Cash Flow Ratio (OCF Ratio):

- Pearson Correlation with Earnings Per Share (EPS): 0.106 (Services)

- Significance (2-tailed): 0.514

- Importance: The weak positive correlation (0.106) between the operating cash flow ratio and Earnings Per Share (EPS), coupled with a non-significant p-value of 0.514, indicates that the efficiency of cash flow operations may have a limited impact on Earnings Per Share (EPS) in the services sector. While there is no relationship, it is not statistically significant.

3. Free Cash Flow (FCF):

- Pearson Correlation with Earnings Per Share (EPS): 0.670 (Services)

- Significance (2-tailed): 0.000

- Importance: The strong positive correlation (0.670) between free cash flow and Earnings Per Share (EPS), along with a highly significant p-value of 0.000, highlights the importance of free cash flow as a critical indicator influencing Earnings Per Share (EPS) in the services sector. Companies with higher free cash flows are more likely to experience favorable Earnings Per Share (EPS).

Industry Sector:

1. Dividends per Share (Div/Share):

- Pearson Correlation with Earnings Per Share (EPS): 0.427 (Industry)

- Significance (2-tailed): 0.001

- Importance: The strong positive correlation (0.427) between dividends per share and Earnings Per Share (EPS) in the industry sector, coupled with a highly significant p-

value of 0.001, emphasizes the substantial influence of dividends per share on Earnings Per Share (EPS). Investors in the industry sector should consider dividends per share as a crucial factor in assessing potential stock performance.

2. Operating Cash Flow Ratio (OCF Ratio):

- Pearson Correlation with Earnings Per Share (EPS): -0.032 (Industry)
- Significance (2-tailed): 0.810
- Importance: The very weak negative correlation (-0.032) between the operating cash flow ratio and Earnings Per Share (EPS), combined with a non-significant p-value of 0.810, suggests that the efficiency of cash flow operations has minimal impact on Earnings Per Share (EPS) in the industry sector. This relationship is not statistically significant.

3. Free Cash Flow (FCF):

- Pearson Correlation with Earnings Per Share (EPS): -0.025 (Industry)
- Significance (2-tailed): 0.850
- Importance: The very weak negative correlation (-0.025) between free cash flow and Earnings Per Share (EPS), alongside a non-significant p-value of 0.850, indicates that free cash flow levels have a negligible impact on Earnings Per Share (EPS) in the industry sector. This relationship is not statistically significant.

In summary, dividends per share emerge as a particularly influential financial indicator in both the services and industry sectors, demonstrating strong positive correlations with Earnings Per Share (EPS). On the other hand, the operating cash flow ratio and free cash flow exhibit weaker correlations, and their impact on Earnings Per Share (EPS) is less pronounced and statistically non-significant, especially in the industry sector.

Investors and analysts should prioritize dividends per share as a key consideration when evaluating potential stock performance in both sectors on the Palestine Exchange.

Testing the study hypothesis:

Model Summary					
sector	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
services	1	.672[a]	.452	.406	.13662
industry	1	.445[b]	.198	.155	.52578
a. Predictors: (Constant), dividend per share, operating cash flow ratio, free cash flow					
b. Predictors: (Constant), dividend per share, free cash flow, operating cash flow ratio					

The model summaries provided offer valuable insights into the predictive capabilities of the two regression models applied to the services and industry sectors on the Palestine Exchange. Of particular emphasis is the Adjusted R Square, a crucial metric that considers the number of predictors in the model and provides a more nuanced evaluation of its explanatory power.

In the services sector model, the Adjusted R Square is reported as 0.406. This value suggests that approximately 40.6% of the variability in Earnings Per Share (EPS) is explained by the combination of the chosen predictors, namely dividend per share, operating cash flow ratio, and free cash flow. The Adjusted R Square accounts for the number of predictors in the model, providing a more conservative estimate of the model's explanatory strength compared to the standard R Square. A higher Adjusted R Square indicates a better fit, and in this case, the model demonstrates a moderate ability to explain the variations in Earnings Per Share (EPS) within the services sector.

Moving to the industry sector model, the Adjusted R Square is reported as 0.155. This implies that around 15.5% of the variability in Earnings Per Share (EPS) is accounted for by the predictors in the model, which include dividend per share, free cash flow, and operating cash flow ratio. The lower Adjusted R Square in the industry sector model

indicates a comparatively weaker ability to explain the variations in Earnings Per Share (EPS) within this sector. The model may have limitations in capturing the diverse influences on Earnings Per Share (EPS) in the industry sector.

It is crucial to stress that the Adjusted R Square takes into consideration not only the explanatory power of the model but also penalizes the inclusion of irrelevant predictors that do not contribute meaningfully to explaining the dependent variable. Therefore, while the R Square may suggest an overall goodness of fit, the Adjusted R Square provides a more balanced evaluation, offering insights into the model's generalizability and its effectiveness in capturing the underlying dynamics of Earnings Per Share (EPS) in both the services and industry sectors on the Palestine Exchange.

The ANOVA results for the regression models in both the services and industry sectors on the Palestine Exchange provide valuable insights into the overall suitability and significance of the models in explaining the variations in the dependent variable, Earnings Per Share (EPS).

Services Sector:

In the services sector model, the ANOVA table reports a highly significant F-statistic of 9.893, with a corresponding p-value of 0.000. This indicates that the overall model is statistically significant, suggesting that at least one of the predictors, including constant, dividend per share, operating cash flow ratio, and free cash flow, contributes significantly to explaining the variability in Earnings Per Share (EPS). The sum of squares for the regression is 0.554, while the residual sum of squares is 0.672. These values collectively contribute to an overall sum of squares of 1.226. The significance of the F-statistic reinforces the model's suitability for the services sector, emphasizing its

capacity to capture meaningful relationships between the chosen predictors and Earnings Per Share (EPS).

Industry Sector:

In the industry sector model, the ANOVA table reports a significant F-statistic of 4.616, with a corresponding p-value of 0.006. Like the services sector, this indicates that the model is statistically significant, implying that the predictors—constant, dividend per share, free cash flow, and operating cash flow ratio—jointly contribute significantly to explaining the variability in Earnings Per Share (EPS). The sum of squares for the regression is 3.828, while the residual sum of squares is 15.481. These values collectively contribute to an overall sum of squares of 19.309. The significant F-statistic reinforces the model's suitability for the industry sector, albeit with a comparatively lower explanatory power compared to the services sector.

In both sectors, the F-statistic is a crucial metric that gauges the overall significance of the regression models. The highly significant F-statistic in the services sector suggests that the chosen predictors collectively hold substantial explanatory power for Earnings Per Share (EPS) in this sector. In the industry sector, while the F-statistic is significant, the lower value implies a somewhat reduced explanatory strength compared to the services sector. Overall, the ANOVA results highlight the statistical significance and suitability of the regression models for explaining Earnings Per Share (EPS) in both the services and industry sectors on the Palestine Exchange.

Coefficients

Sector	Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
Services	1	(Constant)	.065	.027		2.400	.022
		free cash flow	2.162E-009	.000	.678	4.702	.000

		operating cash flow ratio	-.008	.021	-.050	-.391	.698
		dividend per share	.000	.002	.007	.051	.960
Industry	1	(Constant)	.210	.094		2.232	.030
		free cash flow	2.523E-009	.000	.022	.146	.884
		operating cash flow ratio	-.178	.193	-.143	-.920	.361
		dividend per share	.025	.007	.455	3.711	.000
a. Dependent Variable: Earnings Per Share (EPS)							

The coefficients table provides valuable insights into the impact of various predictors on the dependent variable, Earnings Per Share (EPS), in both the services and industry sectors on the Palestine Exchange.

Services Sector:

1. Constant Term:

- The constant term in the services sector model is 0.065, with a standard error of 0.027. This indicates that when all other predictors are zero, the expected value of Earnings Per Share (EPS) are 0.065. The t-statistic of 2.400 is statistically significant (p-value = 0.022), suggesting that the constant term significantly contributes to Earnings Per Share (EPS) in the services sector.

2. **Free Cash Flow:**

- The coefficient for free cash flow is 2.162E-009, with a standard error of 0.000. The standardized coefficient (Beta) is 0.678, indicating no impact on Earnings Per Share (EPS). The t-statistic of 4.702 is highly significant (p-value = 0.000), highlighting the substantial influence of free cash flow on Earnings Per Share (EPS) in the services sector.

3. Operating Cash Flow Ratio:

- The coefficient for the operating cash flow ratio is -0.008, with a standard error of 0.021. The standardized coefficient (Beta) is -0.050, suggesting a negligible negative impact on Earnings Per Share (EPS). The t-statistic of -0.391 is not statistically significant (p-value = 0.698), indicating that the operating cash flow ratio may not be a significant predictor in the services sector.

4. Dividend per Share:

- The coefficient for dividend per share is 0.000, with a standard error of 0.002. The standardized coefficient (Beta) is 0.007, suggesting a minimal positive impact on Earnings Per Share (EPS). The t-statistic of 0.051 is not statistically significant (p-value = 0.960), implying that dividend per share may not significantly influence Earnings Per Share (EPS) in the services sector.

Industry Sector:

1. Constant Term:

- The constant term in the industry sector model is 0.210, with a standard error of 0.094. Like the services sector, the t-statistic of 2.232 is statistically significant (p-value = 0.030), indicating the constant term's significant contribution to Earnings Per Share (EPS) in the industry sector.

2**. Free Cash Flow:**

- The coefficient for free cash flow is 2.523E-009, with a standard error of 0.000. The standardized coefficient (Beta) is 0.022, suggesting a minimal positive impact on Earnings Per Share (EPS). The t-statistic of 0.146 is not statistically significant (p-value = 0.884), implying that free cash flow may not be a significant predictor in the industry sector.

3. Operating Cash Flow Ratio:

- The coefficient for the operating cash flow ratio is -0.178, with a standard error of 0.193. The standardized coefficient (Beta) is -0.143, indicating a negative impact on Earnings Per Share (EPS). However, the t-statistic of -0.920 is not statistically significant (p-value = 0.361), suggesting that the operating cash flow ratio may not be a significant predictor in the industry sector.

4. Dividend per Share:

- The coefficient for dividend per share is 0.025, with a standard error of 0.007. The standardized coefficient (Beta) is 0.455, suggesting a substantial positive impact on Earnings Per Share (EPS). The t-statistic of 3.711 is highly significant (p-value = 0.000), emphasizing the significant influence of dividend per share on Earnings Per Share (EPS) in the industry sector.

In summary, the coefficients table elucidates the varying impacts of predictors on Earnings Per Share (EPS) in the services and industry sectors. Free cash flow emerges as a significant predictor in the services sector, while dividend per share plays a crucial role in the industry sector. The standardized coefficients provide insights into the relative importance of each predictor, guiding investors and analysts in understanding the dynamics of Earnings Per Share (EPS) in these sectors.

The multiple regression equations for the two models, representing the relationship between the predictors and the dependent variable (Earnings Per Share (EPS)) in the services and industry sectors on the Palestine Exchange, can be expressed as follows:

Services Sector Model:

$$\text{ESP/stock returns} = 0.065 + 2.162 \times 10^{-9} \times \text{free cash flow} - 0.008 \times \text{operating cash flow ratio} + 0.000 \times \text{dividend per share}$$

Industry Sector Model:

$$\text{ESP/stock returns} = 0.210 + 2.523 \times 10^{-9} \times \text{free cash flow} - 0.178 \times \text{operating cash flow ratio} + 0.025 \times \text{dividend per share}$$

These equations represent the linear relationships between the constant terms and the respective predictors in each model. The coefficients (0.065, 2.162E-009, -0.008, 0.000) in the services sector model and (0.210, 2.523E-009, -0.178, 0.025) in the industry sector model indicate the impact of each predictor on the dependent variable, with free cash flow, operating cash flow ratio, and dividend per share contributing to the overall prediction of Earnings Per Share (EPS) in their respective sectors.

The data presented provides insights into the importance of the study's independent variables in explaining the dependent variable, Earnings Per Share (EPS), for both industry and services companies on the Palestine Exchange.

Services Sector:

In the services sector, the study identifies free cash flow as a highly significant predictor with a coefficient of \ (2.162 \times 10^{-9}\) and a p-value of 0.000. This implies that free cash flow plays a crucial role in influencing Earnings Per Share (EPS). The positive coefficient suggests that an increase in free cash flow is associated with higher Earnings Per Share (EPS). On the other hand, the operating cash flow ratio, with a coefficient of \(-0.008\) and a non-significant p-value of 0.698, does not seem to be a significant predictor. This indicates that the efficiency of cash flow operations, as represented by the operating cash flow ratio, may not strongly contribute to explaining variations in

Earnings Per Share (EPS) in the services sector. Moreover, dividend per share, with a coefficient of \(0.000\) and a non-significant p-value of 0.960, does not appear to be statistically significant, suggesting that dividend per share may not be a key factor influencing Earnings Per Share (EPS) in this sector. Overall, the model in the services sector, with an Adjusted R Square of 0.406, indicates that free cash flow is a significant and meaningful predictor in explaining Earnings Per Share (EPS), while the other variables show less significance.

Industry Sector:

Turning to the industry sector, the data highlights the importance of free cash flow and dividend per share in explaining Earnings Per Share (EPS). Free cash flow, with a coefficient of \(2.523 \times 10^{-9}\) and a non-significant p-value of 0.884, does not seem to be a statistically significant predictor in the industry sector. This suggests that variations in free cash flow may not have a substantial impact on Earnings Per Share (EPS) in this context. However, dividend per share emerges as a highly significant predictor with a coefficient of \(0.025\) and a p-value of 0.000. This implies that dividend per share plays a crucial role in influencing Earnings Per Share (EPS) in the industry sector, and the positive coefficient indicates that an increase in dividend per share is associated with higher Earnings Per Share (EPS). The overall model fit in the industry sector, with an Adjusted R Square of 0.155, suggests that the explanatory power of the chosen variables, particularly dividend per share, is comparatively lower than in the services sector. Despite the lower overall model fit, the significant impact of dividend per share highlights its importance as a key factor in explaining Earnings Per Share (EPS) in the industry sector.

In summary, the data indicates that the importance of the study's independent variables varies between the services and industry sectors in the Palestine Exchange. Free cash flow is a crucial predictor in the services sector, while in the industry sector, dividend per share stands out as a significant and influential variable in explaining Earnings Per Share (EPS). Understanding these sector-specific dynamics is vital for investors and analysts seeking to make informed decisions in the unique market environment of the Palestine Exchange.

الملخص

هدفت الدراسة إلى التعرف إلى "فائدة المؤشرات المالية المتنافسة: أدلة من بورصة فلسطين" ومدى أهمية وقيمة ثلاثة مؤشرات مالية رئيسية – تدفق النقد الحر، والأرباح الموزعة للسهم، وتدفق النقد التشغيلي – في تفسير عوائد الأسهم للشركات المدرجة في بورصة فلسطين. باستخدام منهجية التحليل الوصفي لدراسة البيانات المالية المنشورة بين عامي 2015 و 2022، حيث تم دراسة 22 شركة من سوق فلسطين المالي، بما في ذلك 13 شركة صناعية و 9 شركات خدمات. نموذج الانحدار الذي يحلل الأرباح لكل سهم (EPS) للشركات المدرجة في بورصة فلسطين يستخدم توزيعات الأرباح لكل سهم، نسبة التدفق النقدي التشغيلي، والتدفق النقدي الحر كمتغيرات تفسيرية. يفسر النموذج حوالي 11.4% من التباين في الأرباح لكل سهم، مع قيمة R Squared المعدلة قدرها 0.086، مما يشير إلى أن المتغيرات التفسيرية لا تزال تمتلك قوة تفسيرية ملحوظة على الرغم من ملاءمة النموذج المتواضعة. أظهر التحليل، الذي يشمل 176 ملاحظة (22 شركة على مدى 8 سنوات)، أن الأرباح للسهم (p 0.351 = β = 0.001) تؤثر بشكل كبير على "الأرباح لكل سهم"، مشيرًا إلى علاقة إيجابية حيث ترتبط الأرباح الأعلى للسهم بزيادة عوائد الأسهم. ومع ذلك، لم يظهر تدفق النقد الحر (4.088- = β 0.755 = x 10^-10, p) ونسبة تدفق النقد التشغيلي (p 0.026- = β = 0.672) ، علاقات ذات دلالة إحصائية مع "الأرباح لكل سهم". تؤكد هذه النتائج قيمة الأرباح للسهم في سياق

السوق المالي الفلسطيني خلال فترة الدراسة. وتوصي الدراسة بضرورة الاهتمام بالتحليل المالي وبناء اتخاذ القرارات عليه في بورصة فلسطين باستخدام نهج متنوع ودقيق، مع التركيز على أهمية مراعاة مؤشرات متعددة وعوامل السياق الاقتصادي العام لتعزيز استراتيجيات اتخاذ القرارات الاستثمارية.

الكلمات الرئيسية: المؤشرات المالية، تدفق النقد الحر، الأرباح للسهم، تدفق النقد التشغيلي، عوائد الأسهم، بورصة فلسطين، البيانات المالية