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Factors affecting Stock Market Prices in Amman Stock Exchange: A Survey Study

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Abstract
This study aims to identify the impact of most basic factors in the market share price of listed companies in Amman Stock Exchange from the respondent's opinions. These factors are: Internal factors and external factors. The population of the study included the (227) listed companies in Amman Stock Exchange. A random sample that of 60 companies was withdrawn. The study adopted descriptive and analytical method. To achieve the objectives of this study the researchers depended on two types of data: Secondary data and Primary data. For the purpose of testing hypotheses the study relied on statistical package for Social Sciences (SPSS) by using appropriate statistical methods. These are: Descriptive Statistic measures and ANOVA analysis test. Results of the study showed that there are impacts of internal and external factors in determining the stock prices of the listed companies in Amman Stock Exchange. The most impact was the inflation rate, while the least one was the nature of firm business. According to the objectives and results of the study, researcher recommended a several recommendations such as, strengthening the role of companies through their involvement in the drafting of laws and legislations
Keywords: stock , market price, stock exchange, bonds market

1. Introduction:

Amman Financial Market is considered one of the emerging markets, which was established in 1976. It started its operations on January 1st, 1978 and was run by aboard comprised of the public and private sectors. Amman Financial Market suffers from many weaknesses such as: economical, legal, political and social conditions. The market management issued many regulations to improve the market performance and to solve the problems and stresses that face the market.

According to the Jordanian securities law no- 23 of 1997, three institutions were established: the Jordanian Securities Commission (JSC), the Securities Depository Centre (SDC), and Amman Stock Exchange (ASE). ASE was established in March 1999 as a non profit privately run institution, with legal and financial autonomy. ASE general assembly comprised of financial brokers who trade for their own accounts and any other entities JSC Board of Commissioners may identify. ASE is managed by a seven member board of directors four of whom are elected by the ASE General Assembly, and three appointed by the Board of Commissioners of the ASE.

Most financial studies have mainly focused on the United States and European markets. Few studies have investigated developing and emerging markets. However this study seeked to determine the most important internal factors that affect the stock market prices for the listed firms in Amman Stock Exchange (ASE). Many factors can have an impact on stock market prices. This study examines the impact of some major internal factors on stock market prices for the listed firms in Amman Stock Exchange. These factors are

2. Problem statement

Many individuals, firms, entrepreneurs, and governments invest large amounts of money into emerging financial markets. It is usually believed that the markets in developing and less developed countries are not efficient in strong and semi-strong forms. It is generally assumed that the emerging markets are less efficient than the developed market. The definition of emerging market highlights the growth potentiality as well as rapid growth of size of the market. However, it is possible that the market participants are not well informed and behave irrationally compared with well organized markets. The causes of lack of financial development, especially in capital markets, are due to certain market imperfection such as transaction costs, lack of timely information, cost of acquiring new information, and possibly greater uncertainty about the future (Taylor, 1956; Goldsmith, 1971; Mason, 1972; Wai and Patrick, 1973). Knowledge of stock market prices and their fluctuating is considered a hot issue for investors during the last decades.

Stock market movements are difficult to understand, and forecasting it is even more difficult. This creates need for empirical analysis, which can assist in understanding the forecasting of the stock market and potentially assist in forecasting the stock market prices. Most studies on stock markets are done for developed countries. This study attempted to address the gap in the literature by analysing the relationships between stock market prices and their influencing internal factors in ASE.

3. The objectives of the study:

The aim of this study was to determine, analyze, and evaluate the impact of some intrnal factors on stock market prices of the listed firms in ASE.

This study would also try to achieve the following objectives:

1- Determine the internal factors that may influence stock market prices in ASE.

2- Identify the most important factors that the investors focus on while taking their long and short investment decisions.

3- Check the relationships among the internal factors affecting stocks market prices, and the share market prices.

4. Importance of the study:

Stock market is seen as a very significant component of the financial sector of any economy. Furthermore it plays a vital role in the mobilization of capital in many of the emerging economies.

The importance of this study stems from the vital role of the Jordanian financial Market in the economy for the following reasons:

1- Amman financial market plays an important role in collecting money and encouraging investments, so this study was designed to explore the influences of some factors on stock market prices in ASE.

2-The importance of the study comes from identifying some basic factors that investors should focus on, also it gave a trust to local and foreign investors.

3- Many different kinds of investors would find this study as an assistant, especially, individual investors, portfolio managers, institutional investors and foreign investors.

4- This study is one of the first studies in Jordan that investigated the impacts of many basic internal factors on stock market prices.

5- The results of this study will also give investors advantages to make their own suitable investment decisions.

5. Research Hypotheses:

The following groups of null hypotheses were formulated to find hypothetical answers to the questions:

1: There was no statistical significant relationship between dividend policy and stock market prices.

2: There was no statistical significant relationship between the firm's nature of business and stock market prices.

3: There was no statistical significant relationship between the firm's size and stock market prices.

4: There was no statistical relationship between the management quality and stock market prices.

5: There was no statistical relationship between the financial situations and stock market prices.

6. Literature Review

According to the researcher knowledge few studies were accomplished and investigated some factors that influence stock prices in Jordan. There are different studies, scientific papers, and articles dealing in factors that affect stock market prices at the global level such as: Ritab S. and Al-Khouri M. (2007) studied the behaviour of daily stock return volatility around the price limit hit for a sample of 159 securities listed in Amman Stock Exchange (ASE), during 1994, and 1995.The study results indicated that stocks hit experienced its highest level of volatility on the day when stocks-hit reached its upper daily price limits of 5% (day 0), and decreases significantly one day after the hit. Similar results are documented when stock hits reach their lower daily price limits of -5%, however with less magnitude. The results of this study were confirmed for results of researchers. This study provided the researcher with new ideas about the behaviour of stock price, and enabled him to benefit from it and to enrich his study.

A financial thesis prepared by Aydemir A,Cevdet & Brothers Lehman & Gallmeyer, Michael (2006) quantified the effect of financial leverage on stock return volatility in a dynamic general equilibrium economy with debt and equity claims. It explained the effects of financial leverage on the market portfolio and on a small firm with idiosyncratic and market risk. In an economy with both a constant interest rate and constant price of risk, financial leverage generates little variation in stock return volatility at the market level but significant variation at the individual firm level. In an economy with more realistic variation in interest rates and the price of risk, there were significant variation in stock return volatility at the market and firm level. In such an economy, financial leverage has little impact on the dynamics of stock return volatility at the market level. Financial leverage contributes more to the dynamics of stock return volatility for a small firm.

This study reinforced the fundamental results and benefits found by the researcher concerning the procedure followed especially the effect of financial position on stock market price. A another financial thesis prepared by Mala, Rajni .& white, Michael . (2006) focused on how South Pacific Stock Exchange (SPSE) developed from the time of its formal establishment. It also looked at some of the current impediments affecting its development and provides some possible suggestions. The market trends in terms of stock market size, volume and value of

trade, market capitalization, market liquidity, market concentration and number of listings were considered. The findings showed that the SPSE is still at an early stage of its development path and the market indicators have not been very encouraging. The study found that the Fiji's stock market size was quite small and was characterized by poor liquidity with high market concentration. It contends that if the stock market in Fiji needs to be developed then the current challenges facing the stock market really need to be addressed and the market players need to be more focused with policies that will lead to the stock market development.

The results of this study were consistent with the results of my study, especially in relation to the characteristics of the market but Amman financial market is attractive to investments in contrast to SPSE market. An economic paper prepared by Org, Sangeeta . (2006) re-examined the relationship between stock price and some key macro economic variables in India for the period 1991-2005 using monthly time series data. The study used Granger non causality test procedure developed by Toda and Yamamoto (1995). The results of the study indicated that index of industrial production and inflation Granger caused stock price but stock price did not cause either of the both so the causation is unidirectional. The causal relation between stock price and money supply is unidirectional as stock price Granger caused money supply but money supply did not. On the other hand there was no causal relation between stock price and exchange rate. Similarly there was no causal linkage between gold price and stock price. The results of this study were consistent with the results of my study. In the nature of the relationship between inflation and the market stock price, and different in nature of the relationship between the exchange rate and stock market price, and this was due to the difference between Amman Stock Exchange conditions and India stock Exchange conditions.

A financial thesis prepared by Tahsin Saadi-Sedik and Martin Petri1August.(2006) analyzed the performance of the Amman Stock Exchange (ASE) and its integration with other markets. Using co integration techniques, the researchers found that the ASE and other Arab stock markets were co-integrated, which implied little long-run risk diversification. However, there was no co integrating relationship between the ASE and other emerging or developed stock markets. Two of the main regional stock markets—Kuwait and Saudi Arabia—Granger affected the Jordanian stock market. The paper found that there might have been some overvaluation at end-2005, but that the market correction in early 2006 and strong recent earnings growth have reduced overvaluation concerns. The results of analysis of this study did not compare the performance of Amman stock exchange to the results of the performance of any other stock exchange.An economic thesis prepared by Gunasekarage, Abeyratna , G & Anirut , P & David . M (2004) examined the influence of macroeconomic variables on stock market equity values in Sri Lanka. The study used the Colombo share price index to represent the stock market and (a) the money supply, (b) the treasury bill rate (as a measure of interest rates), (c) the consumer price index (as a measure of inflation), and (d) the exchange rate as macroeconomic variables.

It analysed monthly data of the above variables for the 17-year period from January 1985 to December 2001 employing a battery of tests, which included unit roots, co integration, vector error correction models (VECM), impulse response functions (IRFs) and variance decompositions (VDCs). These tests examined both long-run and short-run relationships between the stock market index and the economic variables.

18 7. DESIGN AND METHODOLOGY

19 In this study, we use empirical data from primary sources, mainly by conducting a survey among a sample of portfolio managers, financial, brokers, and top managers. The questionnaire method is the most common mean of data collection in a survey study. Researchers using Questionnaires have usually got a good idea of the observable fact the study intents to explore. Questionnaires contain the use of fixed questions, batteries of questions, which are presented to respondents in the same way, with no variation in question wording, and with mainly pre-coded response choices. Questionnaires are used flexibly to allow the researcher to test and to enable respondents to raise other relevant issues.

The questionnaire was designed to contain two sections. The first section was used to gather data about characteristics of the respondents. The second section was designed to measure the influence of the independent variables on the stocks market prices. The questionnaire was written in both languages English and Arabic and reviewed by professionals to assure the accuracy and the exact meaning of translation. The questionnaire was divided into three major sections. The first part contained the demographic questions, demographic information was collected on the participants, gender, age, educational level, employment level, investment capital volume, and experience. The second part was designed to measure the impact of the independent variables (the most internal and external factors) on the dependent variable (stock market price). The third section was designed to gather general information from the respondents towards stocks market prices. The questionnaire was distributed mainly by hand

with very few by mail.

The study population was the listed firms in ASE up to the end of 2009.The financial individuals, portfolio managers, assistants' managers, brokerage managers, and top managers represented the listed firms in ASE.The sample consisted of (60) firms which were banks, insurance, financial, industrial, and services firms, continuously listed in ASE, and the simple random sample was selected from managers of banks, insurance, industrial, trading, services, and financial firms. The questions were responded by the responsible chairmen, managers, assistant managers and individuals in the mentioned companies.

A convenient sample was selected from the study population, and included (300) observations, which were distributed to the respondents as the following: banks (70), insurance (30), brokerage firms (100), industrial (50), and services firms (50), the returned questionnaires were carefully examined for completeness. The total number of usable responses resulting from this process was 275 (91.3%).

A total of 300 questionnaires were distributed in all sectors of listed firms in ASE (banks, insurance, industrial, trading, services and financial firms).the valid numbers of 275 questionnaires were collected to provide the primary data for this study.

The validity of the questionnaires was constructed by reviewing each question by the supervisor and academics doctors at Mutah University. The reliability of this study was established by using statistical package for social science (SPSS) software.

20

21 8. FINDINGS AND DISCUSSION

22 ***8.1. Preface***

The study used a descriptive analysis to describe the characteristics of the respondents. The research hypotheses were presented and tested, ANOVA was used to measure the differences between the sample groups, Pearson Correlation was used to explore the correlation between the study variables (dependent and independent variables), and Stepwise multiple regression and f- analysis were used to test the hypotheses.

The distributed questionnaires were (300) that have been responded by the responsible managers, chairmen and individuals in different companies which represented the study population. The answered questionnaires (275) were collected for the aim of this study, and the response rate was 91, 66%.

Gronbach Alpha was used to ensure the reliability of answers, and it was (0.89) which reflected a homogenous response of the study sample.

8.2. Characteristics of the respondents

The descriptive analysis was presented to describe the characteristics of the respondents. The valid number of respondents was (275) distributed into different categories according to their demographic characteristics. The number and the percentage of the descriptive statistics are presented in the following tables:

Table (1) indicated that 30.5% of the study sample was female, while the male ratio is (69, 5 %). These findings showed that the most employees in the listed firms in ASE were men and the reason might be the heavy work that the firms need.

Table (2) indicated that 32% of the study sample was less than 25 years, 33.5% was between 26-35 year, 29.1% is between 36-45 year, and 5.5% older than 46 years. The findings of this table showed that the fewer respondents from the sample were from the last level.

Table (3) indicated that .07% of the study sample from less than Al- Tawjehe grade, 9.8% from Diploma Degree, 70.5% from Bachelor Degree, and 18.9% from high studies .The findings show that the most respondents from the sample were from Bachelor Degree and this means that the most of workers whom they work in the listed firms in ASE are from Bachelor Degree, And this is a clear evidence for the valid of the study.

Table (4) indicated that 31.6% of the respondents have less than five years of experience, 25.5% have an experience between 6-10 years, 28% have an experience between 11-15 years, and 14.9% whom have an experience more than 15 years. The findings showed that the least respondents are from the last level.

Table (5) indicated that 25.5% of the respondents have small investments less than 10000 Diner, 21,4% from respondents have investments from JD 10000 - to less than 50000 in listed firms in ASE, 24.7% from respondents whom have investments from JD 50000 - to less than 100000 JD, 28.4% from respondents have investments more than 100000 JD. So the findings showed that the study was a comprehensive for the whole investment levels and all the answers were very close, together.

Table (6) indicated that 45.1% of the respondents were managers. 2.5 % of the respondents were manager assistant, 24% of the respondents were section chief, 8.4% of the respondents were branch chief, and 20% of the respondents

are from employees. Therefore, the findings showed that the large percentage (45, 1%) of the respondents was managers. Researcher thought the participation of managers in this study would create validation for it.

23 8.3. Summary of Important Findings

These findings suggested that all the internal factors were related in a positive relationship with stock market prices based on the respondents' opinions. The findings of the internal factors showed the following:

Ho. (1.1): There was no statistical significant relationship between dividend policy and stock market prices. As shown in table (7) since t- Sig was less than 0.05, the null hypothesis (1.1) was rejected, and the alternative hypothesis (1, 1) was accepted. According to respondents' opinions, the dividend policy of the listed firms in ASE as an affective factor in impacting stock market prices. The result suggested that the investors should take care about the dividend policy when they invested in ASE and search for the investing in firms which use generally dividend policy. On the other hand, the firms should increase the whole dividends because the positive relationship between dividend policy and stock market prices.

Ho. (1.2): There was no statistical relationship between the management quality and stock market prices.As shown in table (7) because t- Sig was less than 0.05 the null hypothesis (1.2) was rejected, and the alternative hypothesis (1, 2) was accepted. The management quality in the listed firms in ASE as an effective factor in impacting stock market prices for the respondents. The result suggested that the firms should use the modern and democratic systems in its managements in order to improve its reputation and its management, for the positive impact on improving the stock market prices.

Ho (1.3): There was no statistical relationship between the financial position and stock market prices.As shown in table (7) because the t- Sig was less than 0.05, the null hypothesis (1.3) was rejected, and the alternative hypothesis (1, 3) was accepted. The financial position of the listed firms in ASE in Jordan as an effective factor in impacting stock market prices for the respondents. The result suggested that the firms should decrease depending on debt, and search for other resources to keep liquidity in order to increase the profitability ratio since it would that improve the stock market prices of firms.

Ho (1.4): There was no statistical significant relationship between the firm size and stock market prices. As shown in table (7) because the t- Sig was less than 0.05 the null hypothesis (1.4) was rejected, and the alternative hypothesis (1, 4) was accepted. So that, the firm's size of the listed firms in ASE in Jordan was considered an effective factor that influence on stock market prices for the respondents. The result suggested that the firms should increase their assets volumes which are suitable to their work nature in order to increase their profits, thus, the firm's size has a positive impact on its stock market price.

Ho (1.5): There was no statistical significant relationship between the work nature of firms and stock market prices. As shown in table (7) because the t- Sig was less than 0.05, the null hypothesis (1.5) was rejected, and the alternative hypothesis (1, 5) was accepted. The nature of work of the listed firms in ASE in Jordan was effective factor in influencing stock market prices of the respondents. The result suggested that the firms should practice different activities to compensate each other to help the firms to achieve its goals, hence the positive impact on the stock market prices of firms.

To assure the rejection of all null hypotheses that related to the internal factors, table (8) summarized the means and standard deviations of all the questions together that related to dependent variable, and to the internal factors or independent variables. The result of this table indicated that the firm size has the highest mean and that mean the firm size was the most effective factor on stock market price. On the other hand, the nature of business has the lowest impact on stock market price. Also most of the standard deviations of the views of respondents less than one indicating that there was no dispersal of the responses.

Table (9) indicated the rejection of null hypotheses which referred to one variable or more from the independent variables in the study, which has an effect on the stock market prices for firms. According to respondents opinions, F value = 18.4 which was statistically significant at the .05 level. Moreover the data showed that multiple correlation coefficient square value are R = .47, which mean that the internal factors explained .47 of variance in respondents evaluations of stock market prices of firms.

The correlation between independent variables which represent internal factors in the table no (11) was calculated. The results in this table indicated a positive relationship with a statistical significance between independent variables and stock market price. It aimed at analysing the results of coefficient correlation of the relationship between the independent variables itself to make sure that there was no coulinarty problem between the independent variables before inclusion in the regression equation, which appeared in the event of a significant correlation between independent variables In order to show the relations among the study's variables, table (10) contained Pearson

correlation coefficients which revealed a significant positive relationship between stock market price and the independent variables. As shown in table (11), correlation coefficients between each internal factor and the stock market price were ranged from r = 0.29 to 0.52. The highest positive correlation was found between the firm size and the stock market price. Therefore, this table showed somewhat cause – effect relationship between internal factors and stock market price.

According to table no (10) the correlation matrix indicated to the highest correlation between independent variables was the correlation between financial position and the nature of work (.34) and this emphasized that there was no coulinarty problem between the independent variables.

The findings in the previous table no (7) showed that the whole independent variables of the study which were: dividend policy, quality management, firm size, nature of work and the financial position, have a statistically significant relationship with stock market prices of firms because the t- Sig for all variables was less than 0.05. This mean rejection of the first five hypotheses which represented the internal factors of the firms. On the other hand, the results indicated, that there was a positive relationship which has statistical significance between the whole independent variables with stock market prices of firms, which mean that the firm paid more attention to any internal factors, leading to the rise of the SMP upon the respondents opinions. The highest impact factors were dividend policy (B= 3.340), Then the quality management (B= 2.600), the financial position (B= 2.900), the firm size (B= .145), and the nature of business (B= .130). Moreover the data indicated that the influencing force in predicting was weak since the Beta value for independent variables was between (0.01, 0.37).

9. CONCLUSION

From the forgoing results, it is advantageous now to identify the most important points that are related to the results of this work as a useful conclusion. These points can be stated as follows: Stock market price movements in ASE depended on many basic internal factors; the results indicated that the internal factors explained the extent of the influence of these factors on stock market prices, and the relatively strong relation between stock market prices and the independent factors. The results of the study indicated the average of contribution of internal factors in the listed companies in Amman Stock Exchange came agreed degree and the dividend policy has occupied the first rank followed by the quality of management and financial position, then the size of the company and finally the nature of the work. This referred to a belief among workers in the listed companies in Amman Stock Exchange in the impact of these factors in the share market price.

The dividend policy could be considered as an affecting factor on stock market price, which raised the need to increase the dividends to attract the investors when firms issued their stocks for public trading in ASE. Management quality would be considered as one of the effecting factors on stock market price and it was related in positive relationship to the stock market price should the firms used the modern systems in management, and should they enable the employees to participate in making decisions. The financial position related to a positive relationship with stock market price of firms. The liquidity saving and not depending on debt mostly made the financial position stronger, and this lead to attract many investors to invest in these firms which was reflected positively on the stock market price. The study showed that he firm size has direct impact on stock market price which was measured in assets size. The results indicated that the firms should try to increase their assets in order to attract the investors and improve its stock market price. alsoThe nature of firm work affected the stock market price and this was due to the nature of firm work which encouraged the investors to buy the firms stocks. Since the investors intended to invest in the firms suitable to market needs and customer desires, this lead to increase its stock market price.In the earlier literature there were few studies suggested that there was a relationship between some independent variables and stock market price but some suggested that there was no causality relationship between the stock market price and some independent variables.These findings represented a step forward in understanding stock market price behaviour and should prove valuable to portfolio, investment, and top managers in different firms in managing their portfolios and help the managers in making their good financial decisions in firms.

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Table (1) Characteristics of the respondents: gender

gender	frequency	percent	Cumulative percent
Female	84	30.5	30.5
Male	191	69.5	100
Total	275	100.0	

24 Table (2) Characteristics of the respondents: Age

Age	frequency	percent	Cumulative percent
Less than 25 years	88	32.0	32.0
26-35 years	92	33.5	65.5
36-45 years	80	29.1	94.5
More than 46	15	5.5	100.0
Total	275	100.0	

25 Table (3) Characteristics of the respondents: Educational level

Education level	frequency	percent	Cumulative percent
Less than Tawjehe	2	.7	.7
Diploma	27	9.8	10.5
Bachelor	194	70.5	81.1
High studies	52	18.9	100.0
Total	275	100.0	

26 Table (4) Characteristics of the respondents: Experience

Experience	frequency	percent	Cumulative percent
Less than 5 years	87	31.6	31.6
6-10 years	70	25.5	57.1
11-15 years	77	28.0	85.1
More than 15 years	41	14.9	100.0
Total	275	100.0	

27 Table (5) Characteristics of the respondents: Invested Capital volume

Invested Capital volume	frequency	percent	Cumulative percent
Less than 10000	70	25.5	25.5
10000 less than 50000	59	21.4	46.9
50000 less than 100000	68	24.7	71.6
More than 100000	78	28.4	100.0
Total	275	100.0	

28 Table (6) Characteristics of the respondents: Job level

Job level	frequency	percent	Cumulative percent
Manager	124	45.1	45.1
Manager assistant	7	2.5	47.6
Sector chief	66	24.0	71.6
Branch chief	23	8.4	80.0
employee	55	20.0	100.0
Total	275	100.0	

Table (7 The impact of internal variables on stock market price (multi regression)

	Unstandardized coefficient		Unstandardized coefficient	T	t-Sig
	B	Std.Error	Beta		
constant	4.334	.407		10.644	0.00*
Dividend policy	3.340	.055	.370	8.230	0.00*
Management quality	2.600	.086	.180	4.670	0.027*
Financial position	2.900	.093	.280	4.152	0.031*
Firm size	.145	.077	098	2.880	0.0413*
Nature of business	.130	.064	.017	1.200	0.048

29 **Note : (*) denotes to significant at the 0.05 level.**

Table (8) Means and standard deviation of the study's variables (internal factors)

	Mean	Std deviation	N
Stock market prices	3.7032	.7387	275
Dividend policy	3.5766	.7348	275
Management quality	3.8285	.5066	275
Financial position	3.7350	.5049	275
Firm size	3.9501	.5864	275
Nature of business	3.1934	.6311	275

Table (9) Multi coefficient correlation and F test for regression model (Analysis of variance)

Multiple correlation coefficient	Square Multiple correlation coefficient	F	F- Sig
.68	.47	18.4	.023

Table (10) Correlation Matrix between study variables

variable	SMP	Dividend policy	Management quality	Financial position	Firm size	Nature of business
SMP	1	.39*	.37*	.43**	.52**	.29*
Dividend policy		1	.27*	.31*	.21*	.25*
Management quality			1	.18*	.06	.21*
Financial position				1	.19*	.34*
Firm size					1	.05
Nature of business						1

Note : (*) denotes significant at the 0.05 level
Note : (**) denotes significant at the 0.01 level

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