

The Effect of Financial Flexibility on the Earnings per Share: An Applied Study in the Banks Listed on Amman Stock Exchange

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Abstract

This study aims to investigate the effect of financial flexibility on the earnings per share at the banks Listed in Amman Stock Exchange from 2013 - 2017. The data were collected via financial reports from Amman stock exchange. The results of the study revealed that financial flexibility as a whole (cash holding, debt capacity, net operating cash flow and dividends) has a significant effect on the earnings per share. The study analysis also showed that dividend has the main influence on the earnings per share, further, cash holding and debt capacity have a significant effect on the earnings per share. However, the net operating cash flow has no significant effect on the earnings per share. Furthermore, the relationship between financial flexibility and earnings per share is affected significantly by the bank size and nature of activity. The study recommends that banks concentrate on financial flexibility to improving earnings per share, and focus on enhancing investment on tangible assets as being essential as loan guarantees to improve their debt capacity. The study recommends paying attention to cash flow in general to strength the financial flexibility.

Keywords: Financial flexibility, Earnings per share, Banks.