The Impact of Foreign Ownership on the Stock Returns and Accounting Performance of the Listed Corporations in the Palestine Exchange

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Abstract

This paper, on the first hand, aims at exploring the influence of the individual, institutional foreign ownership and total foreign ownership (individual plus institutional) on the stock returns of the listed industrial corporations in the Palestine Exchange; PEX. On the second hand, it explores the impact of the individual, institutional foreign ownership and total foreign ownership (individual plus institutional) on the accounting performance. In order to achieve the previous objectives; this paper includes a sample from the financial data taken from the industrial listed corporations in the PEX from 2010-2014. This study employs a number of statistical tests (descriptive statistics, Pearson's correlation, and the simple linear regression tests). Eleven industrial listed Palestinian corporations were selected to examine the hypotheses [55 firm-years]. The findings of this paper state that (1) There is a positive impact of individual foreign ownership on the financial performance (ROA) of the listed corporations in the PEX. (2) The individual foreign ownership affects the stock prices (returns) positively. (3) The analysis indicates that the institutional foreign ownership affects the profitability positively but statistically is insignificant. (4) The analysis indicates that the institutional foreign ownership affects the stock prices positively. (5) There is a positive impact of total foreign ownership on the profitability. (6) The total foreign ownership (individual plus institutional) affects the stock prices positively.

Finally yet importantly, this manuscript strongly recommends the stakeholders in Palestine to consider the percent of foreign ownership for interpreting the profitability and stock prices. It also recommends the Palestine Exchange to encourage the foreign investors to invest in the listed corporations in Palestine. Thus, the foreign investors play a vital role in enhancing the performance of the listed corporations as proved by the findings of this paper. This point requires applying new regulation to improve the role of PEX in bringing better investment climate and confidence in Palestine listed companies.

Key Words: Industrial sector, individual foreign ownership, institutional foreign ownership, foreign ownership, Palestine Exchange [PEX], stock returns, financial performance

1. Introduction

Palestine Exchange [PEX] by-laws allows foreign investors to buy and sell the issued stocks of the listed corporations [1]. The listing regulation of the PEX as mentioned in the article number 88, explains that the foreign investor can invest in the issued shares of the Palestinian

corporations [2]. In addition, the Palestinian listed companies guides 2000 to 2013; define the Shareholders' nationalities as "explaining the character of stockholders in the PEX has been a difficult subject because the Palestinian populaces are scattered all over the world and some have got the nationality of the country they reside in. In the past years, the PEX defined nationality on place of birth, but in 2007 adopted a method that takes the geographic location and place of residence of the investor into account [3]. In addition, an option of the stockholder himself is appreciated, without prejudice to the historical, legitimate and national rights of the Palestinian". Accordingly, accounting and finance literatures show that the foreign ownership may affect the stock return or accounting performance [4] [5] [6] [7] [8] [9] [10] [11]. Many authors say that the positive impact of the foreign ownership refers to: (i) the role of those investors in enhancing the internal control, monitoring, and internal auditing. (ii) selecting more qualified auditor [12] [13] [14]. Also, paper [15] shows that foreign investor is likely to invest in firms with good financial performance, large size, low level of debts, in pharmaceutical industry, and higher liquid stock exchange. The Palestine Exchange faces a lack of an empirical examination regarding the influence of the nature of ownership (local or foreign) on the value of stock and accounting performance. Hence, this paper comes to provide rare evidence from Palestine regarding the foreign ownership-performance specification. For more explanations, this paper examines the influence of three variables on the stock price and accounting profit. The three variables are: (1) The foreign individual ownership. (2) The foreign firm's ownership. (3) the total foreign ownership (individual plus institutional). To achieve the previous objectives, this paper follows previous works such as study [16] which provides evidence from the United States proving that the foreign investment in the American Securities Exchange affects positively the profitability of the listed companies. Also, in the Arabian courtiers many studies prove that there is a positive impact of the foreign ownership on the financial performance and stock prices. For instance, in Egypt, paper [17], in Jordan paper [18]. International previous findings establish a rule states that the foreign ownership affects positively the accounting performance and stock prices. In contrast, Palestine suffers from a lack of empirical efforts that test the impact of the foreign ownership on the performance (market or accounting). For this reason, this paper comes to explore this issue from the reality of the industrial listed corporations in the Palestine Exchange; PEX.

The findings of this manuscript are expected to be used as live evidence from Palestine regarding the influence of the foreign firms' ownership on the accounting performance or

stock prices. In addition, the results of this manuscript assist the investors to take accurate decision. In addition, this paper comes to generate [foreign ownership - performance model] for the industrial listed companies in the PEX, which will enable the policy makers and decision-takers to draw the correct conclusion. This manuscript follows the previous studies regarding the methodology and econometric such as [4] [6] [7] [8] [9] [13] [14] [19] [20].

2. Previous Literatures

The global empirical evidences regarding the impact of a foreign ownership on the stock price or accounting performance proved its positive influence. This part of the manuscript displays the finding of several studies were implemented in the international environment.

In the United States, paper [19] proves that the foreign ownership has a positive impact on the profitability of a corporation and its stock price. In addition, paper [8] indicates that there is a positive impact of the foreign ownership on the stock price of the listed corporations in the Istanbul Stock Exchange. Also, in the Taiwan and Hong Kong markets, paper [7] proves that a foreign ownership affects positively on stocks prices. Furthermore, paper [5] explores this issue in the Thai capital market and concludes a positive impact of foreign ownership on stock prices. In Thailand, paper [21] provides evidences from the Stock Exchange of Thailand. The main finding states that foreign investor takes actions that help stabilize stock prices. Also, in Japan paper [22] proves the positive influence of the foreign ownership on the profitability. Also, paper [23] explains that foreign ownership enhances the stock price in an emerging economy. In the Taiwan, paper [14] explains that a high percent of foreign ownership significantly and positively affects corporate profitability. The study shows that foreign investors are not only speculators, but also play the role of controlling and improving corporate performance. As well as, paper [24] finds a positive relationship between foreign equity flows and stock returns in emerging markets. Also, paper [25] documents a strong relationship between foreign equity trading and market prices in Indonesia and Thailand. Also, paper [26] explains that the institutional foreign ownership affects on the stock prices of the listed corporation in the Jakarta Stock Exchange. In Taiwan, paper [27] states that the foreign ownership affects the stock price. As well, in China, paper [28] shows a positive influence of the foreign ownership on the performance of the Chinese listed corporations. Besides, in Turkey, paper [8] indicates that a foreign ownership has an impact on the stock prices. Also, paper [9] examines the influence of a foreign ownership on the share prices in 40 bourses. The manuscript shows that foreign ownership is positively related to share prices. Also, it finds a stronger relation between share prices and future profit for corporations with

higher foreign ownership. Finally, the manuscript reveals that the impact of foreign ownership on share prices is stronger in developed bourses with strong investor protection and a transparent information environment. In addition, paper [29] examines for variations in performance between foreign-owned and locally-owned corporations using a sample of industrial and service corporations from 19 sub-Saharan African countries. Results show that foreign-owned corporations achieve performance better than locally owned companies. And the firms owned by transnational companies achieve performance better than those owned by individual foreign entrepreneurs. In Egypt, paper [17] examines the relationship between the percent of foreign ownership and financial performance. The study finds out that foreign ownership is positively associated with firm's return on assets, return on equity and debt ratio. Moreover, in Jordan, paper [20] shows that ownership structure has significant effects on the performance. This paper reveals that the high foreign ownership firms have an influence on performance more than the low foreign ownership firms. And the manuscript indicates that the governmental ownership is significantly negatively related to the firm's performance. Also, paper [30] tests the impact of corporate ownership on firm performance using data from Ho Chi Minh Stock Exchange and Hanoi Stock Exchange (Vietnamese Listed Firms). The findings show that (1)- foreign ownership enhances firm performance. And the findings explain that foreign investors are likely to invest in firms with good financial performances, large size, and low level of debts. Additionally, paper [31] explains that there is a positive impact of the foreign ownership on the performance for the Malaysian commercial banks.

The analysis of the previous studies shows that a foreign ownership influences the financial performance of the listed companies in the securities markets positively. Many studies were implemented by the emerging markets conclude the same conclusion. Accordingly, the results of this manuscript are expected to be as explained in the previous studies.

3. The Hypotheses

The main question of this paper is to which extent a foreign ownership will influence the accounting performance and stock prices of the industrial listed corporations in the PEX? Thus, this paper comes to examine the following hypotheses, which answer the previous question by using the econometric models that exploited in this domain of research. Hereinafter are the hypotheses that meet the goals of this paper:

Hypothesis 1: The individual foreign ownership has a positive impact on the accounting performance.

Hypothesis 2: The individual foreign ownership has a positive impact on the stock returns.

Hypothesis 3: The institutional foreign ownership has a positive impact on the accounting performance.

Hypothesis 4: The institutional foreign ownership has a positive impact on the stock returns.

Hypothesis 5: The foreign ownership has an influence on the accounting performance.

Hypothesis 6: The foreign ownership has an influence on the stock returns.

4. Data and Methodology

This part of the paper demonstrates data, study variables and the econometric models that used to test the hypotheses as in the following.

4.1 Data

The population of this paper consists of the listed industrial corporations in the Palestine Exchange [PEX] for a 5-year period from 2010-2014. The following conditions were considered to select a sample. a- Company should be listed in the Palestine Exchange. b- Company must be an industrial firm. c- Company's stock is traded. As a result, 11 corporations meet the previous conditions. The data was collected from the website of the PEX [www.pex.ps], companies guide, and the financial reports of the industrial corporations.

4.2 Study Variables

This segment comes to illustrate the variables that used for testing the hypotheses of this manuscript. This manuscript uses two independent variables (accounting performance and the stock returns). Below are the definitions of the study variables.

Firstly: The dependent variables

This paper uses two dependent variables. The dependent variables are: I- The accounting performance. II- The stock returns. Below are the definitions of the dependent variables.

I- The accounting performance variable is measured using the Return on Assets [ROA]. The ROA is computed using the following equation:

$$ROA_{it} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Using the symbol the ROA formula is:

$$ROA_{it} = \frac{NI_{it}}{TA_{it}}$$

Where: ROA_{it}: Return on Assets of firm I for period t, NI_{it}: Net operating income after tax of firm I for period t (accounting income after tax was computed in accordance with the IAS

and IFRS), and TA_{it}: Total assets of firm I for period t,

II - The stock returns variable is measured using the stock return formula.

$R_{it} = Log(P_t/P_{t-1})$

Where: R_{it}: Returns of stock I in period t, P_{it}: Stock's price year end of firm I for period t, $P_{i(t-1)}$: Stock's price year beginning of firm I for period t, and Log: natural logarithm.

Secondly: The independent variables

The hypotheses of this paper require designing three independent variables. The three independent variables are I- The individual foreign ownership. II- The institutional foreign ownership. III- The foreign ownership (the sum of individual and institutional). Below are the definitions of the independent variables.

I - The individual foreign ownership variable is measured using the following equation:

$$V_{it} = \frac{D_{it}}{S_{it}}$$

Where: V_{it}: The percent of individual foreign ownership in firm I for period t, D_{it}: The number of common shares that owned by individual foreign owners in firm I for period t, and S_{it}: The number of issued and outstanding common shares of firm I for period t.

II- Institutional foreign ownership variable is measured using the following equation:

$$U_{it} = \frac{T_{it}}{S_{it}}$$

Where: U_{it}: The percent of institutional foreign ownership in firm I for period t, T_{it}: The number of common shares that owned by institutional foreign owners in firm I for period t, and S_{it}: The number of issued and outstanding common shares of firm I for period t.

III - The foreign ownership variable is measured using the following equation:

$$FO_{it} = \frac{D_{it} + T_{it}}{S_{it}}$$

Where: FO_{it}: The percent of foreign ownership in firm I for period t, D_{it}: The number of common shares that owned by individual foreign owners in firm I for period t, T_{it}: The number of common shares that owned by institutional foreign owners in firm I for period t, and S_{it}: The number of issued and outstanding common shares of firm I for period t.

4.3 Econometric Models

This section comes to formulate the econometric models. Presented below are explanations around the hypotheses and its econometric models. The first hypothesis comes to examine the

impact of individual foreign ownership on the accounting performance. This hypothesis is examined using model number 1.

$$ROA_{it} = \epsilon_o + \epsilon_1 V_{it} \qquad \text{(Model 1)}$$

Where: ROA_{it}: Return on Assets of firm I for period t, V_{it}: The percent of individual foreign ownership in firm I for period t, ϵ_o: Constant, and ϵ_1: Individual foreign ownership response coefficient. The second hypothesis comes to examine the impact of individual foreign ownership on the stock returns. The second hypothesis is examined using model number 2.

$$R_{it} = \epsilon_o + \epsilon_1 V_{it} \qquad \text{(Model 2)}$$

Where: R_{it}: Returns of stock I in period t, V_{it}: The percent of individual foreign ownership in firm I for period t, ϵ_o: Constant, and ϵ_1: Individual foreign ownership response coefficient. The third hypothesis comes to examine the impact of institutional foreign ownership on the accounting performance. The third hypothesis is examined using model number 3.

$$ROA_{it} = \epsilon_o + \epsilon_1 U_{it} \qquad \text{(Model 3)}$$

Where: ROA_{it}: Return on Assets of firm I for period t, U_{it}: The percent of institutional foreign ownership in firm I for period t, ϵ_o: Constant, and ϵ_1: Institutional foreign ownership response coefficient. The fourth hypothesis comes to test the impact of institutional foreign ownership on the stock returns. The fourth hypothesis is examined using model number 4.

$$R_{it} = \epsilon_o + \epsilon_1 U_{it} \qquad \text{(Model 4)}$$

Where: R_{it}: Returns of stock I in period t, U_{it}: The percent of institutional foreign ownership in firm I for period t, ϵ_o: Constant, and ϵ_1: Institutional foreign ownership response coefficient. The fifth hypothesis comes to examine the impact of foreign ownership on the accounting performance. The fifth hypothesis is examined using model number 5.

$$ROA_{it} = \epsilon_o + \epsilon_1 FO_{it} \qquad \text{(Model 5)}$$

Where: ROA_{it}: Return on Assets of firm I for period t, FO_{it}: The percent of foreign ownership in firm I for period t, ϵ_o: Constant, and ϵ_1: The foreign ownership response coefficient. The sixth hypotheses come to examine the impact of foreign ownership on the stock returns. The sixth hypothesis is examined using model number 6.

$$R_{it} = \epsilon_o + \epsilon_1 FO_{it} \qquad \text{(Model 6)}$$

Where: R_{it}: Returns of stock I in period t, FO_{it}: The percent of foreign ownership in firm I for period t, ϵ_o: Constant, and ϵ_1: The foreign ownership response coefficient. The previous six models rely on the ordinary least squares (OLS). The model fitness is measured using the F-statistic, R squares, and adjusted R squared.

5. The Results

This part displays the descriptive statistics and hypotheses testing outcomes. It employs the econometric methods that had been used by other authors such as [4] [5] [6] [7] [8] [9] [12] [13] [14] [16] [17] [19] [20] [22]. Presented below are the findings of this paper.

5.1 The Descriptive Statistics

Table 1 shows the summary statistics of Individual Foreign Ownership variable [V] for the annual and pooled data of 11 industrial listed corporations in the PEX from 2010-2014, 55 firm-year. As well, the mean of the V variable is founded between 0.0263 to 0.0289. As a general conclusion, the mean of pooled data is 0.0291. What's more, the Jarque-Bera's test of normality shows that the V variable follows the normal distribution because α is greater than 0.05. The hypothesis of the Jarque-Bera test for normality states that: H_0: normal distribution, H_1: non-normal distribution. Moreover, a variable follows the normal distribution when α is more than 0.05 (Newbold and Carlson, 2012, P 591-593).

Table 1: Descriptive statistics (Individual Foreign Ownership: V)*

Year	Number of Observation	Mean	Maximum Observation	Minimum Observation	Standard Deviation	Jarque-Bera	Probability α
2010	11	0.027367	0.0875	0.0021	0.025574	4.362800	0.112883
2011	11	0.027080	0.0737	0.0000	0.019892	2.822910	0.243788
2012	11	0.027080	0.0737	0.0000	0.019892	2.822914	0.243788
2013	11	0.028922	0.0721	0.0011	0.019678	1.703898	0.426583
2014	11	0.026318	0.0602	0.0000	0.016113	0.398800	0.819222
Pooled	55	0.029158	0.0875	0.0000	0.020399	2.481990	0.231717

Table 2 shows statistical summary of Institutional Foreign Ownership variable [U] for the annual and pooled data of 11 industrial listed corporations in the PEX from 2010-2014, 55 firm-year. As well, the mean of the U variable is founded between 0.0028 to 0.0088 for the industrial listed corporations in the PEX. As a general conclusion, the mean of pooled data is 0.007767. What's more, the Jarque-Bera test of normality shows that the U follows the normal distribution because α is greater than 0.05. Tables 1 and 2 show that the percent of individual foreign ownership is more than the percent of institutional foreign ownership.

Table 2: Descriptive statistics (Institutional Foreign Ownership: U)*

Year	Number of Observation	Mean	Maximum Observation	Minimum Observation	Standard Deviation	Jarque-Bera	Probability α
2010	11	0.003878	0.0135	0.0000	0.004017	5.031280	0.080811
2011	11	0.002890	0.0070	0.0000	0.002141	0.357898	0.836149
2012	11	0.002890	0.0070	0.0000	0.002141	0.357898	0.836149
2013	11	0.005622	0.0192	0.0000	0.006928	2.502754	0.286111
2014	11	0.008882	0.0460	0.0000	0.013696	5.579820	0.083058
Pooled	55	0.007767	0.0880	0.0000	0.017290	3.025454	0.072141

Table 3 shows the summary statistics of accounting performance (Return on Assets variable; ROA) for the annual and pooled data of 11 industrial listed firms in the PEX from 2010-2014, 55 firm-year. As well, the mean of ROA is positive for the annual and pooled data. Also, the mean of pooled data is 0.041862. What's more, the Jarque-Bera test of normality shows that the ROA follows the normal distribution because α is greater than 0.05.

Table 3: Descriptive statistics (Return on Assets; ROA)*

Year	Number of Observation	Mean	Maximum Observation	Minimum Observation	Standard Deviation	Jarque-Bera	Probability α
2010	11	0.030222	0.119	-0.070	0.066672	0.746690	0.688427
2011	11	0.028300	0.104	-0.114	0.093008	1.730739	0.420896
2012	11	0.028300	0.104	-0.114	0.093008	1.730739	0.420896
2013	11	0.061333	0.178	-0.094	0.079773	0.245032	0.884692
2014	11	0.021945	0.121	-0.110	0.058757	0.939125	0.625276
Pooled	55	0.041862	0.178	-0.114	0.070965	4.033273	0.080731

Table 4: Descriptive statistics (Stock Returns; R)*

Year	Number of Observation	Mean	Maximum Observation	Minimum Observation	Standard Deviation	Jarque-Bera	Probability α
2010	11	-0.0703	0.044204	-0.20676	0.070778	0.113877	0.944652
2011	11	-0.0997	0.044354	-0.31482	0.106904	0.588126	0.745230
2012	11	-0.0997	0.044354	-0.31482	0.106904	0.588126	0.745230
2013	11	0.1346	0.308999	-0.06328	0.147225	0.964649	0.617347
2014	11	-0.0093	0.157608	-0.29933	0.140788	1.223346	0.542443
Pooled	55	-0.0048	0.308999	-0.31482	0.138697	1.685690	0.430484

Table 4 shows the summary statistics of stock returns [R] for the annual and pooled data of 11 industrial listed firms in the PEX from 2010-2014, 55 firm-year. As well, the mean of R is negative for the annual and pooled data. Also, the mean of pooled data is -0.0048. What's more, the Jarque-Bera test shows that the R variable follows the normal distribution because α is greater than 0.05. Table 5 shows the summary statistics of Foreign Ownership [FO] for the annual and pooled data of 11 industrial listed corporations in the PEX from 2010-2014, 55 firm-year. As well, the mean of FO is positive for the annual and pooled data. As a general conclusion, the mean of pooled data is 0.041862. What's more, the Jarque-Bera test of normality shows that the FO follows the normal distribution because α is greater than 0.05.

Table 5: Descriptive statistics (Foreign Ownership; FO)*

Year	Number of Observation	Mean	Maximum Observation	Minimum Observation	Standard Deviation	Jarque-Bera	Probability α
2010	11	0.03124	0.10100	0.00310	0.02892	5.610214	0.060481
2011	11	0.02997	0.08070	0.0011	0.02140	3.202587	0.201782
2012	11	0.053580	0.163200	0.004200	0.058762	3.139498	0.208097
2013	11	0.034544	0.091300	0.003300	0.025197	2.619156	0.269934
2014	11	0.035200	0.078700	0.002500	0.023227	0.722082	0.696950
Pooled	55	0.041862	0.178000	0.0011	0.070965	5.033273	0.080731

Table 6: Pearson's Correlation Matrix (ROA, R, U, FO & V)

Year	Variable	ROA	R	V	U
2010	R	0.475 0.197	1		
	V	0.003 0.993	0.113 0.773	1	
	U	-0.024 0.951	-0.106 0.786	-0.024 0.951	1
	FO	0.225* 0.087	0.085** 0.028	0.997*** 0.000	0.854*** 0.000
2011	R	0.849*** 0.002	1		
	V	0.253 0.481	-0.094 0.797	1	
	U	-0.016 0.964	-0.433 0.211	0.676** 0.032	1
	FO	0.233* 0.056	0.130** 0.016	0.997*** 0.000	0.728** 0.017
2012	R	0.405 0.246	1		
	V	0.491 0.150	0.817*** 0.004	1	
	U	0.453 0.189	0.921*** 0.000	0.908*** 0.000	1
	FO	0.479* 0.061	0.912*** 0.000	0.966*** 0.000	0.985*** 0.000
2013	R	0.021 0.958	1		
	V	0.431 0.247	0.431 0,246	1	
	U	-0.203 0.600	0.544 0.130	0.732** 0.025	1
	FO	0.281* 0.056	0.487 0.182	0.982*** 0.000	0.847*** 0.004
2014	R	0.462 0.153	1		
	V	0.056 0.870	-0.086 0.802	1	
	U	0.045 0.896	-0.245 0.468	0.209 0.537	1
	FO	0.065 0.849	0.204 0.548	0.817*** 0.002	0.735*** 0.01
Pooled	R	0.393*** 0.003	1		
	V	0.241* 0.076	0.202 0.139	1	
	U	0.147 0.284	0.373*** 0.005	0.529*** 0.000	1
	FO	0.227* 0.096	0.321** 0.017	0.896*** 0.000	0.851*** 0.000

*** Significant at 0.01, ** Significant at 0.05, and * Significant at 0.10.

5.2 The Correlation Matrix

Table 6 shows the results of Pearson correlation test for the annual and pooled time series of V, U, FO, ROA and R. The correlation test demonstrates the following findings. Firstly, there is a significant positive relationship between the financial performance (ROA) and the individual foreign ownership of the pooled data whereas the correlation coefficient is 0.241 and statistically is significant at 0.07. This indicates that the individual foreign ownership

enhances the profitability of the industrial listed corporations in the PEX. Secondly, the correlation analysis shows a significant positive relationship between the stock returns and the institutional foreign ownership of the industrial listed companies in the PEX, whereas the pooled data correlation coefficient is 0.373 and statistically is significant at 0.01. Thirdly, there is a significant positive relationship between the individual foreign ownership and the institutional foreign ownership of the industrial listed companies in the PEX. What is more, the pooled data correlation coefficient is 0.529 and statistically is significant at 0.01. At last but not least, there is a significant positive relationship between the foreign ownership and the accounting profitability of the industrial listed companies in the PEX. Besides, the pooled data correlation coefficient is 0.227 and statistically is significant at 0.10. Also, there is a significant positive relationship between the foreign ownership and the stock prices of the industrial listed companies in the PEX. Additionally, the pooled data correlation coefficient is 0.321 and statistically is significant at 0.05.

5.3 The Findings

Presented below are the outcomes of the hypotheses.

5.3.1 Findings of Hypothesis 1

Table 7 displays the summary statistics of the OLS, which inspects the first hypothesis. The first hypothesis comes to examine the impact of individual foreign ownership [V] on the accounting performance [ROA] of the industrial listed corporations in the PEX for 5 years from 2010-2014. The statistics of the pooled time series point out that there is a positive impact of the V on the ROA. Therefore, the value of the R^2 is 0.058 and the F-value is 3.28. Also, the V response coefficient [$\varepsilon_1 = 0.839$] is positive and statistically is significant at 5%.

Table 7: The impact of individual foreign ownership on the accounting performance of the industrial listed corporations in the PEX for 5 years from 2010-2014. $ROA_{it} = \varepsilon_0 + \varepsilon_1 V_{it}$ (n)

Year	Constant (ε_0)	Coefficient (ε_1)	F-Value	R^2	Adjusted R^2
2010	0.0299 (0.83)	0.0091 (0.012)	0.056	0.00	0.00
2011	-0.0037 (-0.07)	1.182 (0.74)	0.55	0.064	0.00
2012	-0.0062 (-0.16)	1.516 (1.59)	2.54	0.241	0.146
2013	0.0108 (0.23)	1.747 (1.26)	1.60	0.186	0.069
2014	0.0165 (0.45)	0.205 (0.17)	0.132	0.003	0.00
Pooled	0.017 (1.06)	0.839* (1.81)	3.28*	0.058	0.04

(n): *** Significant at 0.01, ** Significant at 0.05, and * Significant at 0.10.

5.3.2 Findings of Hypothesis Number 2

Table 8 displays the summary statistics of the OLS that inspects the second hypothesis. The second hypothesis comes to examine the impact of individual foreign ownership on the stock returns (prices) of the industrial listed corporations in the PEX for 5 years from 2010-2014. The statistics of the pooled time series indicate that there is a positive impact of individual foreign ownership on the stock prices (returns). Therefore, the value of the R squared is 0.041 and the F-value is 3.86. In addition, the individual foreign ownership response coefficient $[\mathcal{E}_1=2.174]$ is positive and statistically is significant at 5%.

Table 8: The impact of individual foreign ownership on the stock returns of the industrial listed corporations in the PEX for 5 years from 2010-2014. $R_{it} = \mathcal{E}_o + \mathcal{E}_1 V_{it}$ (n)

Year	Constant ($\mathcal{E}_0$)	Coefficient ($\mathcal{E}_1$)	F-Value	R^2	Adjusted R^2
2010	-0.0789* (-2.08)	0.312 (0.312)	0.192	0.013	0.00
2011	-0.0861 (-1.38)	-0.503 (-0.27)	0.071	0.009	0.00
2012	-0.0889* (-2.031)	4.293*** (4.012)	16.07	0.662	0.626
2013	0.0413 (0.47)	3.228 (1.27)	1.623	0.186	0.071
2014	0.0103 (0.121)	-0.748 (-0.261)	0.072	0.07	0.00
Pooled	-0.044 (-1.38)	2.174** (1.50)	3.86**	0.041	0.023

(n): *** Significant at 0.01, ** Significant at 0.05, and * Significant at 0.10.

5.3.3 Findings of Hypothesis Number 3

Table 9 displays the outcomes of the OLS which inspects the third hypothesis. The third hypothesis comes to test the impact of institutional foreign ownership [U] on the accounting profit [ROA] of the industrial listed firms in the PEX for 5 years from 2010-2014. The statistics of the pooled time series point out that there is a positive impact of the U on the ROA. Therefore, the value of the R^2 is 0.022 and the F-value is 1.18. Also, the U response coefficient $[\mathcal{E}_1=0.605]$ is positive and statistically is insignificant at 5%.

5.3.4 Findings of Hypothesis Number 4

Table 10 shows the outcomes of the OLS which inspects the fourth hypothesis. This hypothesis comes to test the impact of institutional foreign ownership [U] on the stock returns [R] of the industrial listed firms in the PEX for 5 years from 2010-2014. The statistics of the pooled time series of the U and R indicate that there is a positive impact of the U on the R. Therefore, the value of the R^2 is 0.139 and the F-value is 8.56. Also, the U response

coefficient [ϵ_1=2.9] is positive and statistically is significant at 1%.

Table 9: The impact of institutional foreign ownership on the on the profitability of the industrial listed corporations in the PEX for 5 years from 2010-2014. $ROA_{it} = \epsilon_o + \epsilon_1 U_{it}$ (n)

Year	Constant (ϵ_0)	Coefficient (ϵ_1)	F-Value	R^2	Adjusted R^2
2010	0.0317 (0.931)	-0.395 (-0.061)	0.0	0.01	0.00
2011	0.0303 (0.561)	-0.71 (-0.051)	0.00	0.00	0.00
2012	-0.026 (-1.041)	0.935 (1.440)	2.06	0.205	0.105
2013	0.074 (2.031)	-2.343 (-0.551)	0.312	0.041	0.00
2014	0.0203 (0.90)	0.191 (0.13)	0.002	0.02	0.00
Pooled	0.0371*** (3.54)	0.605 (1.09)	1.18	0.022	0.003

(n): *** Significant at 0.01, ** Significant at 0.05, and * Significant at 0.10.

5.3.5 Findings of Hypothesis Number 5

Table 11 shows the results of the OLS which inspects the fifth hypothesis. This hypothesis tests the impact of foreign ownership [FO] on the profitability [ROA] of the industrial listed firms in the PEX for 5 years from 2010-2014. The statistics of the pooled time series of the FO and the ROA show that there is a positive impact of the FO on the ROA. Therefore, the value of the R^2 is 0.051 and the F-value is 2.87. Also, the FO response coefficient [ϵ_1=0.487] is positive and statistically is significant at 10%.

Table 10: The impact of institutional foreign ownership on the on the stock returns of the industrial listed corporations in the PEX for 5 years from 2010-2014. $R_{it} = \epsilon_o + \epsilon_1 U_{it}$ (n)

Year	Constant (ϵ_0)	Coefficient (ϵ_1)	F-Value	R^2	Adjusted R^2
2010	-0.063 (-1.761)	-1.866 (-0.281)	0.081	0.011	0.00
2011	-0.0372 (-0.66)	-21.64 (-1.36)	1.85	0.188	0.086
2012	-0.0073 (-0.381)	3.235*** (6.712)	45	0.849	0.831
2013	0.0696 (1.213)	11.571*** (2.721)	3.95***	0.296	0.196
2014	0.0131 (0.251)	-2.518 (-0.261)	0.57	0.06	0.00
Pooled	-0.028 (-1.46)	2.992*** (2.93)	8.56***	0.139	0.123

(n): *** Significant at0.01, **Significant at 0.05, and * Significant at 0.10.

5.3.6 Findings of Hypothesis Number 6

Table 12 displays the summary statistics of the simple linear regression that inspects the sixth hypothesis of this paper. The sixth hypothesis comes to examine the impact of foreign

ownership (FO) on the stock prices of the industrial listed corporations in the PEX for 5 years from 2010-2014. The statistics of the pooled time series of the foreign ownership and the stock prices point out that there is a positive impact of foreign ownership on the stock returns. Therefore, the value of the R squared is 0.103 and the F-value is 6.07. In addition, the foreign ownership response coefficient [ϵ_1=1.384] is positive and statistically is significant at 5%. The previous analysis indicates that the foreign ownership affects the stock prices positively.

Table 11: The impact of foreign ownership on the accounting performance of the industrial listed corporations in the PEX for 5 years from 2010-2014. $ROA_{it} = \epsilon_o + \epsilon_1 FO_{it}$ (n)

Year	Constant (ϵ_0)	Coefficient (ϵ_1)	F-Value	R^2	Adjusted R^2
2010	0.0303 (0. 84)	0.0016** (3.213)	4.213**	0.072	0.031
2011	-0.0021 (-0.401)	1.014 (0.68)	0.46	0.054	0.012
2012	0.0127 (0.420)	0.606* (2.54)	2.87*	0.229	0.133
2013	0.0306 (0.641)	0.889 (0.772)	0.605	0.079	0.001
2014	0.01614 (0.460)	0.164 (0.201)	0.041	0.041	0.00
Pooled	0.0238* (1.68)	0.487* (1.69)	2.87*	0.051	0.033

(n): *** Significant at 0.01, ** Significant at 0.05, and * Significant at 0.10.

Table 12: The impact of foreign ownership on the stock returns of the industrial listed corporations in the PEX for 5 years from 2010 - 2014. $R_{it} = \epsilon_o + \epsilon_1 FO_{it}$ (n)

Year	Constant (ϵ_0)	Coefficient (ϵ_1)	F-Value	R^2	Adjusted R^2
2010	-0.0768 (-2.012)	0.2082 (0.231)	0.05	0.07	0.00
2011	-0.0802 (-1.271)	-0.652 (-0.37)	0.14	0.017	0.00
2012	0.0127 (0.420)	0.606* (2.54)	2.87*	0.229	0.133
2013	0.0306 (0.641)	0.889 (0.772)	0.605	0.079	0.001
2014	0.01614 (0.460)	0.164 (0.201)	0.041	0.041	0.00
Pooled	-0.054 (-2.02)	1.348** (2.46)	6.07**	0.103	0.086

(n): *** Significant at 0.01, ** Significant at 0.05, and * Significant at 0.10.

6. The Conclusion

This manuscript, on the first hand, aims at examining the impact of foreign ownership on the stock prices of the listed industrial corporations in the Palestine Exchange; PEX. On the second hand, it examines the impact of the foreign ownership on the accounting performance. In order to accomplish the previous objectives; this manuscript includes a sample from the financial data taken from the industrial listed corporations in the PEX from 2010-2014. This

study employs a number of statistical tests (descriptive statistics, Pearson's correlation, and the simple linear regression tests). Eleven industrial listed Palestinian corporations were selected to examine the hypotheses [55 firm-years]. The findings of this paper state that (1)There is a positive impact of an individual foreign ownership on the financial performance (ROA) of the listed corporations in the PEX. (2) The individual foreign ownership affects the stock prices (returns) positively. (3) The analysis indicates that the institutional foreign ownership affects the profitability positively but statistically is insignificant. (4) The analysis indicates that the institutional foreign ownership affects the stock prices positively. (5) There is a positive impact of foreign ownership (individual plus institutional) on the profitability. (6) The foreign ownership (individual plus institutional) affects the stock prices positively.

Finally yet importantly, this manuscript strongly recommends stakeholders in Palestine to consider the percent of foreign ownership for interpreting the profitability and stock prices. It also recommends the Palestine Exchange to encourage the foreign investors to invest in the listed corporations in Palestine. The foreign investors play a vital role in enhancing the performance of the listed corporations and that has been proved by the findings of this paper. The above mentioned point requires applying new regulation in order to improve the role of PEX in bringing better investment climate and confidence in Palestine listed companies.

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