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The Impact of Financial Structure Towards Performance of Non-Financial Companies Listed on Amman Stock Exchange

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ABSTRACT

The purpose of the current study was to investigate the relationship between financial structure towards the financial performance of companies listed on Amman stock exchange (ASE) as one of the emerging economies. This paper adopted a panel data set of 88 non-financial companies listed on the ASE over a period of 10 years from 2009 to 2018. According to empirical results that there is significant evidence to support the fact that debt repaying ability (DRAB), managerial ownership (MANOW), and foreign ownership (FOROW) are positively related to firm performance. Otherwise, the findings revealed no evidence to support the impact of the financial structure ability (FSA) towards firm performance. Moreover, the findings support the fact that firm size (SIZ) has a positive impact on firm performance of companies listed on the ASE. On the other hand, (AGE) has a negative impact on firm performance, while (GROWTH) has no impact on firm performance. The current study encourages managers to maintain a good percentage of debt repaying ability and owners to grant shares as managers' incentives, and also to attract foreign investors. Future studies, should try applying the current study on the financial sector.

KEYWORDS: Financial Structure Ability, Debt Repaying Ability, Managerial Ownership, Foreign Ownership, Agency Theory, Firm performance.

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INTRODUCTION

Investments are important for firms if they wish to survive and prove some growth, and firms can utilize internal financial sources such as retained earnings or external finance sources (debt-equity) to finance investments. According to Brigham and Ehrhardt (2017) a mix of debt, preferred stock, and common equity is used to finance a firm's assets. Ronald and Edgar (2016) assert that capital structure is a firm's mix of debt and equity that is used to finance a firm's assets. The financial structure is a very sensitive subject in the field of financial management because it partly affects profitability (Tailab, 2014). As can be gathered from the available definitions, financial structure is described as the integration of financial sources that finance the operations of firms. The economy and the capital market in Jordan have been faced by a set of extraordinary external and internal challenges over the past several years. Moreover, the General Controller of Jordanian Companies Nazha (2018) pointed out that 28 companies lost more than 75% of their capital. Moreover, the Chairman of the Board Directors ASE Dr. Jawad Al-Anani said that 78 out of 195 listed companies in the Amman Financial Market achieved losses during the year 2018 Al-Anani (2019). Nazha (2018), pointed out that the most important reason why Jordanian companies fail is a weakness in financial decisions. Financial structure decisions are considered as one of the most important financial decisions. Financial structures are an important aspect of stakeholder interest within and outside a company as it affects the performance of a company, as poor financial structure decisions may lead to bankruptcy (Shahreza & Ghodrati, 2014). Whereas, good financial structure decisions improve a company's value (Alipour, Mohammadi, & Derakhshan, 2015). Therefore, financial performance is considered an early warning of company bankruptcy. Nevertheless, the problem of performance remains and there is a need for more studies to clarify and identify the factors influencing it (Alabdulla 2018). Therefor the aim of the current study is to investigation the relationship between financial structure and firm performance of companies listed on the ASE.

THEORETICAL FRAMEWORK

Financial leaders and researchers have provided many theories to explain financing methods. The Pecking Order Theory is one of them, which was submitted in 1961 by Donaldson (Myers, 2001). According to the Pecking Order Theory, the company's management has a hierarchy of financing sources where the priority is to finance by retained earnings, where internal generated funds are preferred because it has lower costs than debt or the issuance of new shares (Myers & Majluf, 1984). Therefore, this gives investors a signal that the company has good financial health and is able to meet its obligations. The Agency Theory is considered as one important theory that explains the relationships inside companies. The main reason why such a theory has emerged is the information asymmetry. The information that the administration has may not be possessed by owners, so it may be exploited for management interests. In light of the above, the Agency Theory suggests that the agency issue arises due to separating the management from the owner (Jensen & Meckling, 1976). This might drive the management to behave contrary to the owners' interests, because of conflicts of interests and divergent attitudes towards the risk of management behavior, which is contrary to the company's goal of maximizing owners' wealth (Eisenhardt, 1989). The Agency Theory, states that managers are responsible for a company's financial structural ability and debt repaying ability to maintain the necessary capital for the company's business and activities. Therefore, the existence of problems and difficulties in this topic will affect investors' perceptions of the company thus affecting its performance. On the other hand, Dahlquist and Robertsson (2001) indicated that asymmetric information is potentially the most crucial factor in corporate identification. According to Aggarwal, Erel, Ferreira, and Matos (2011) foreign institutional investors link with better corporate governance as their presence eradicates incompetent CEOs from management. Foreign investors greatly contribute to good corporate governance. Accordingly, foreigners are better at monitoring and controlling firms, as manifested by lower incidences of conflicts of interest (D'Souza et al., 2005). In emerging economies, Young et al. (2008) mentioned foreign investors as an effective portion of governance improvement. Moreover, in the delineation of interests between managers and shareholders from the viewpoint of the Agency Theory, Sappington (1991) proposed the establishment of incentives for managers that leads to an increase in firm value. Considering

that managerial ownership increases the alignment of interests between shareholders and managers, incentives for managers will motivate agents to generate additional surpluses, resulting in a decrease in opportunistic behavior (Jensen & Meckling, 1976). It can then be explained that, higher share ownership for managers makes them incur greater costs in the case of failure no meaning.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Several theories and studies have examined the impact of capital structure on firm performance and there have been mixed and uneven results (Leonard, Mwasa, Maina & Ishmail, 2014). Most of these studies dealt with financial structure through tax shield advantages. Leverage and liquidity are not the only components of financial health. Equity is also an important factor that determines the financial structure of companies. More specifically, shareholder liabilities and equity can be considered an alternative source of financial funding for a firm and an alternative corporate governance mechanism (Miravittles Mora & Achcaoucaou, 2018). Thus, equity should be considered a shareholder characteristic because shareholders have different investment objectives and policies that affect firm performance. Therefore, the current study discusses financial structure using four variables financial structure ability, debt repaying ability, managerial ownership, and foreign ownership.

Financial Structure Ability and Firm Performance

Financial structure ability is defined the ability of a company to use its capital to expand its business through shareholders and investors conducting capital market activities (Najjar, 2013). Financial structure ability is a firm's ability to provide the necessary sources of finance to operate in a competitive environment and achieve required returns (Abor & Biekpe, 2005). A company's financial structure ability is important to companies accessing external financing, as it gives an indication to lenders that they are able to reduce their losses to a minimum in the event of a bankruptcy (Butzbach & Sarno, 2019). A strong financial structure positively affects the performance of companies. Increased debt in a financial structure weakens

its performance (Nawaz and Ahmad, 2017). A financial structure with high amounts of debt, will result in creditors demanding higher interest due to the risk of the company not being able to repay. Therefore, in this situation, more debt has a negative impact on the performance of a company (Le & phan, 2017). The impacts of debt in the financial structure towards firm performance has been investigated in emerging or transition economies. The results were various and contradictory, Obradovich and Gill (2013) and Margaritis and Psillaki (2010) studied the relationship between capital structure and performance in the USA and France and found a positive relationship. However, in South Africa, Akingunola, Olawale and Olaniyan (2018) reported the effect of debt ratio on performance to be negative. They suggested that more debt may result from a firm's underestimating bankruptcy costs of liquidation; thus, a high debt in the financial structure will decrease firm value. Moreover, the role of debt as a monitoring mechanism to get better firm value has not been considered in emerging markets (Le & phan, 2017). Thus, in emerging markets, managers may behave in their best interest in the case of large cash flow, which will negatively affect firm performance. Based on that, debt in the financial structure weakens the financial capacity of companies, therefore managers must maintain the financial structure ability to face financial obligations to avoid the risk of bankruptcy and thus safeguard the interests of stakeholders. It is therefore hypothesized that: *H1: Financial structure ability positively influences performance of companies listed on the ASE.*

Debt Repaying Ability

A company's repaying ability is defined as its capacity to cover liabilities from assets (Werner, 2014). Benmelech and Dvir (2013) also argued that a company's debt repaying ability in financial transaction activities is largely related to financial stability. A company's profitability and debt repaying ability is consider important in its ability to obtain financing (Matias & Serrasqueiro 2017). The limited liquidity of a company leads to a weakening of its debt repaying ability, which leads to fewer growth opportunities and which adversely affects firm performance and investors' trust (Donati 2016). The company's debt repaying ability also reflects its financial position (Zeller & Stanko, 1996). Therefore, it is considered a weakness of companies if their debt repaying ability leads to exposure to financial distress. Also, the financial information available from financial

distress provides a warning sign for investors and creditors in the capital market, where the inability to repay debts exposes a risk to shareholders and investors in capital markets (Demirag, Khadaroo, Stapleton & Stevenson, 2011). In another context, Getahun (2014) pointed out the negative impact of liquidity. This may be due to bad investment decisions for the money flowing from the firm activities and business. Thus, the ability of the company to repay its debts is an important indicator for capital providers of companies to expand their activities (Ajayi & Oke, 2012), where the companies with weak debt repaying ability will not be provided the necessary funds for their activities, which affects firm performance. Studies have shown the importance of the companies' debt repaying ability. According to Ismail (2016), this ratio positively affects the performance of companies where it helps companies to face the risks resulting from the inability to repay, which also reflected positively among investors in the company. It is therefore hypothesized that: *H2: Debt repaying ability positively influences performance of companies listed on the ASE.*

Managerial Ownership and Firm Performance

The separation between management and ownership in companies leads to conflicts of interest between internal and external stakeholders. This issue allows managers to make decisions that serve their interests but may be detrimental to firm performance. According to Jensen and Meckling (1976), to solve the agency problem in the companies, managers must be given firm stocks as incentives. This decision helps to reduce the manager's behavioral problem by aligning the benefits of shareholders and managers. Increasing managerial ownership in companies leads to bear the results of their management and investment decisions that affect their wealth, which forces them to improve their performance, thus decreasing conflicts and improving the compatibility of internal and external stakeholders (Faleye, 2007). Vu, Phan and le (2018) stated that CEO ownership has a positive impact on firm performance. Nyaguthii, Mike and David (2019) reported that employee ownership has a positive effect on firm performance for insurance companies. On the other hand, Acharya and Bisin (2009) revealed a negative relationship between managerial ownership and firm performance. May (1995) pointed out when managers have stocks in the firm, they will adopt policies to reduce risks. Also, (John & Senbet, 1998) reported that companies with large managerial ownership may tend to

moderate investment strategies, to the extent of refusing a high value project if it has a high risk. Some previous studies (see Demsetz and Villalonga, 2001) have demonstrated that there is no association between managerial ownership and firm performance. Companies should pay attention to managerial ownership because it leads to improved firm performance, as the company will face low agency problems (Nyaguthii et al., 2019). In line with the Agency Theory, managerial ownership is expected to align shareholders' interests with agents, thereby reducing the agency problem and maximizing shareholder wealth leading to improved firm performance. It is therefore hypothesized that: *H3: Managerial ownership positively influences performance of companies listed on the ASE.*

Foreign Ownership and Firm Performance

The emerging markets have seen an increase in foreign investors. Leuz (2010) associated this phenomenon with restricted domestic resources in financing investment, where many developing nations liberalize their stock markets and permit investments from foreign financiers in domestic firms. A wide range of studies have supported foreign ownership and its impact on corporate performance (Ghazali, 2010). Mishra and Ratti (2011) presented empirical evidence that foreign ownership improved corporate valuation due to the sophisticated control effect of foreign investors and more transparent financial disclosures. Foreign investors also provide management skills and an important obligation of resources to technology transfer and monitoring to assure the authenticity of information provided by the company based on the Agency Theory. In addition Njiru (2016) showed that foreign ownership positively impacts on profitability, where foreign ownership is important to interpret profitability as they have high monitoring which leads to increased and improved firm performance standards in Kenyan banks. Foreign-owned companies also provide new technology and management practices that reduce high expenses, enhance efficiency and achieve high performance. Chen and Liao (2011) suggest that the effects are context-dependent, being affected by profitability of the parent entity and levels of competition in the host market. It may be that the effects of foreign ownership depend on which of its corollaries (such as greater diversification or greater information asymmetry) are dominant. Foreign ownership may increase the monitoring effectiveness administrative behavior in the companies and this leads to a positive impact on firm performance (Shleifer & Vishny, 1986), where

foreign investors can suggest changes and anchor corporate governance mechanisms more than local investors (Gillan & Starks, 2003). It is therefore hypothesized that: *H4: Foreign ownership positively influences performance of companies listed on the ASE*

METHODOLOGY

To test the hypotheses this study used a data set of companies listed on the ASE from 2009 to 2018. There are three sectors in the ASE (financial, industrial and service sector) including 101, 48, and 46 firms respectively. As shown on Table 1 this study used the companies under industry (48) and service sector (46), where these sectors were made up of 94 firms. Financial companies were eliminated due to the difference in their business and regulatory environment (Alhababsah, 2019). Also 6 companies were excluded because of incomplete and unavailable information. The full sample size of the current study consisted of 880 firm-year observations, a balanced panel data of different numbers of firms from 2009 to 2018. Balanced plate panel data was employed on 88 firms over a 10-year period from 2009 to 2018 and panel estimation was used to exploit both the time-series and cross-section.

Table 1: Name of Table (Styles: Table Caption)
(size font smaller than size font text)

Sample	Companies number
Financial sector	98
Industrial sector	47
Service sector	46
Total number of firms Amman stock exchange	191
Financial sector	(98)
Incomplete data	(5)
Sample of this study	55
Study period (2009-2018)	10
Total firm-year observations	880

Model Specification

The current study contained 88 entities over a period of 10 years, so the panel data approach was considered appropriate due to its dealings with

various types of variables, which included variables that change between entities and over time and variables that change between entities but were constant over time (Wooldridge, 2010). Various estimation methods for panel data analysis such as pooled OLS, fixed effect and random effect was applied to investigate the degree and direction of the variables. The study used a multiple regression model to examine the relationship between financial structure and firm performance.

$$(PERF)_{it} = \beta_1 + \beta_2(FSA)_{it} + \beta_3(DRA)_{it} + \beta_4(MANOW)_{it} + \beta_5 (FOROW)_{it} + \beta_6 (SIZ)_{it} + \beta_7 (AGE)_{it} + \beta_8 (GROWTH)_{it} + U_{it}$$

Table 2: Definition of the research variables

Variable	Acronym	Definition
TobinsQ	Q	The sum of equity market value and total debt book value divided by total assets book value
Financial structure ability	FSA	Total debt book value divided by total equity
Debt repaying ability	DRA	The ratio of total current assets divided by current liabilities
Managerial ownership	MANOW	The percentage of total shares held by firm directors and officers
Foreign ownership	FOROW	Overall fraction of shares that foreign shareholders own
Firm size	SIZ	The natural logarithm of the total assets book value
Firm age	AGE	The sum of years since establishment
Assets growth	GROWTH	The growth rate of total assets

Where PERF, the dependent variable, refers to firm performance which is measured by Tobin’s Q (market-based measure), which considers the investor perceptions in the capital market of firm’s potential performance. The rationale of using this measurement approach for Firm Value was due to the combination of its properties with the elements of the market value, book value of short term assets and liabilities. The current study calculated Tobin’s Q by the sum of the equity market value and the total debt book value divided by total assets book value, which agrees with previous studies (Chadha & Sharma, 2015 and Kanwal, Shahzad, Rehman & Zakaria. 2017). The independent variable was financial structure which was measured by FSA, DRA, MANOW and FOROW. FSA is defined as the ability of a company to finance its business activities using capital

market transactions (Rajhi et al., 2012). It is important for companies to access external financing, as it gives an indication to the lenders that they are able to reduce their losses to a minimum in the event of a bankruptcy (Nik Mohd, 2017). FSA is calculated by total debt book value divided by total equity. DRA is defined as its capacity to cover liabilities from assets (Werner, 2014). Company’s debt repaying ability is an important strategy to attract the interest of current and potential in and is calculated by total current assets divided by current liabilities (Nik Mohd, 2017). MANOW refers to managerial ownership which is calculated as the percentage of total shares owned by firm managers (Alabdullah, 2018). Sappington (1991) proposed the establishment of incentives for managers that increases the maximization of value. FOROW refers to foreign ownership, which is the overall fraction of shares that foreign shareholders own (Alhababsah,2019). Inadequate sources of domestic finance for investment is a common phenomenon in many developing nations (Leuz et al., 2010). The control variable has been included in the regression model of the current study in order to insulate the effect of other factors that has an impact on firm performance and highlight the links between financial structure and firm performance. Finally, i = a company t = year and u = the error term. Table 2 presents the definition of the variables used in the model in the current study.

RESULTS AND DISCUSSION

Table 3: Descriptive Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
TOBINSQ	880	1.13	0.55	0.22	3.30
FSA	880	0.75	0.75	0.04	2.54
DRAB	880	1.98	1.53	0.32	5.87
MANOW	880	0.024	0.062	0.0	.37
FOROW	880	0.132	0.22	0.0	.99
SIZ	880	7.52	0.58	5.67	9.25
AGE	880	26.8	16.3	0	81
GROWTH	880	0.02	0.33	-0.92	5.31

Table 3 shows a descriptive analysis of the study variables for 88 industrial and service companies. It was represented using observations mean, standard deviation, minimum, and maximum levels. The results of the independent variable, which is TOBIN’S Q, revealed that the mean

is 1.13 percent with a standard deviation of 0.55. This result agrees with Almustafa (2017), Where the average TobinsQ of Jordanian companies was 1.2. Moreover, the descriptive analysis of dependent variable shows the average for financial structure ability was 0.75 with a standard deviation of 0.75. This result differs from Akingunola et al (2018) in Nigeria where the mean of FSA was 1.9 and Kanwal et al (2017) in Pakistan 1.3, these results are higher than Jordanian companies. This may due to the managers not liking more debts and increased risks. For debt repaying ability, the result represents that the mean is 1.98 percent with a standard deviation of 1.53 and aq minimum rate of 0.32 percent with a maximum level of 5.87 percent. This result differs with Marashdeh (2014), where the average DRAB of Jordanian companies was 3.4. This may due to the economic crises that the Jordanian economy was exposed to because of the political events in neighboring countries. Moreover, the average for managerial ownership was 0.024 percent with a standard deviation of 0.062. This result is in line with Yeung and Lento (2018) in China where the average was 3.4. This indicates a weak understanding of the benefits of managerial ownership in the Agency Theory expectations. For FOROW, the mean was 0.132 with a standard deviation of 0.22. This result is consistent with Alzoubi (2018), where the average FOROW of Jordanian companies was 11% and 14% respectively. While it differs from Marashdeh (2014), which was 8%, this difference is due to the government policies in Jordan that encouraged foreign investment.

Table 4: Correlation Matrix

	TOBINSQ	FSA	DRA	MANOW	FOROW	SIZ	AGE	GROWTH
TOBINSQ	1.00							
FSA	-0.009	1.00						
DRAB	0.22	-0.39	1.00					
MANOW	0.24	-0.22	0.21	1.00				
FOROW	0.06	-0.07	0.06	0.14	1.00			
SIZ	0.23	-0.15	-0.14	-0.15	0.18	1.00		
AGE	-0.06	0.24	-0.11	-0.06	0.09	0.21	1.00	
GROWTH	0.06	0.09	-0.01	0.07	-0.02	0.00	0.05	1.00

Table 5: Multicollinearity Test

Variable	VIF	1/VIF
FSA	1.32	0.75
DRAB	1.21	0.82
MANOW	1.11	0.89
FOROW	1.09	0.91
SIZ	1.17	0.85
AGE	1.10	0.90
GROWTH	1.02	0.97
Mean VIF	1.15	

The relationship between the variables in this study is illustrated in Table 4. The interrelationships level among independent variables has been examined which should be less than 0.8 percent as suggested by Yoshikawa and Phan (2003). Pearson’s correlation was also used to check for multicollinearity among the independent variables (Weisberg, 2005). As shown in Table 4, there was no multicollinearity problem. Moreover, multicollinearity was examined using VIF. Table 5 shows that all VIF values are less than 10 as suggested by Hair, Black, Babin, Anderson, and Tatham. (2010). Thus, according to the data referred to in this study, the model does not contain multicollinearity. The current study employed the multiple regression method to investigate the relationship between predictors and criterion variables. This statistical method has been used in many studies, such as (Alabdullah, 2018). Table 6 reveals that the value of Adjusted R-squared is 75% percent, meaning that the independent variables explain 75% percent of the changes in the dependent variable. Moreover, this study employed the Durbin Watson (DW) test to determine whether there was autocorrelation in the panel data by using, in this Context, the DW of 1.77. According Knoke (2003), the acceptable range of DW value of 1.5-2.5. The output of the DW test shows that there was no autocorrelation problem. Furthermore, Greene (2007) suggested that the modified Wald test can be used to detect the presence of heteroscedasticity ; the result of the test shows (prob 0.00, chi2 83), thus there was a heteroscedasticity problem in the model.

Table 6: Result of the Fixed Regression Analysis with Robust Stander Error

Variables	Fixed –Effect Regression with Robust standard error	
	Coef.	t-Statistic
FSA	0.03	0.57
DRAB	0.13	3.1***
MAOW	0.94	2.7***
FROW	0.36	2.3**
SIZ	0.16	2**
AGE	-0.008	-1.71*
GROWTH	-0.02	-0.71
_CONS	-0.20	-0.36
Adjusted R squared	0.75	
Prob(F-statistic)	0.00	
F-statistic	30.3	
obs		880
	*p< 0.10, ** p< 0.05, *** p< 0.01	

Table 6 shows the regression outcome of the variables and their influence on the performance of Jordanian companies listed under the service and industrial sectors. Based on the results of the Hausman test (Chi-Sq. Statistic 14.14, Chi-Sq. d.f. 7, prob 0.04), the fixed-effect model is suitable more than a random effect model. On the other hand, Hoechle (2007) suggested using the fixed effects model with a cluster option at the entity level in the situation where the standard errors include heteroscedasticity and autocorrelation. Alhababsah (2019) also suggested using a robust stander error in the presence of heteroscedasticity. It is one of methods used to correct heteroscedasticity. It addresses the error related problem of being non-independent and similarly distributed. The use of RSE will not change the coefficient valuations produced through the Ordinary Least Squares (OLS) regression; however, they will change the standard errors and significant analyses. Hence, RSE OLS regression could be considered reliable in the presence of heteroscedasticity. The results of fixed regression analysis with robust stander error showed that the financial structure ability is insignificant with firm performance (Coef. 0.03, t-Statistic 0.57, Prob 0.57), which refers to the rate of debt in the financial structure and does not affect firm value. Although this finding does not agree with the objectives of this study, it supports previous studies that were conducted in developing countries (Ebaid, 2009; Chadha & Sharma, 2015). It also

agrees with the Capital Structure Irrelevance Theory. This is the obverse of theories and studies in developed countries which indicated a significant positive relationship between debt and firm value (Obradovich & Gill 2013 and Margaritis & Psillaki, 2010). Thus, H1 was not supported. This finding expounds that the increase of financial structure ability in non-financial Jordanian companies has no effect on firm performance. This may be due to the transitional stage witnessed by the developing economies in addition to the privatization process by the Jordanian government, as Jordanian companies may not have sufficient experience in dealing with the interests obtained from debt. For H2, the result shows that debt repaying ability had a positive impact on the performance of Jordanian non-financial companies (Coef. 0.13, t-Statistic 3.13, Prob 0.002). This is consistent with the objectives of the current study. This finding supports previous studies that were conducted in both developing and developed countries such as Ismail (2016). It is also in line with the opinion that companies with a high capacity to repay their debts have great investment opportunities and good firm performance where they have a high amount of cash to improve their business (Le et al., 2017). In the context of the Agency Theory, managers are responsible for debt repaying ability for companies to maintain the necessary capital for business and activities. Therefore, the existence of problems and difficulties in this topic will influence the view of investors in the firm and affect its performance. Thus, H2 was supported. For H3, the results of the regression related to managerial ownership revealed significant influences towards performance of Jordanian non-financial companies (Coef. 0.94, t-Statistic 2.73, Prob 0.008). This finding agrees with the current study objectives. It supports previous studies that were conducted in both developing and developed countries such as Abor and Biekpe, (2005) and Alabdullah, (2018). This result is also consistent with the perspective of the Agency Theory. Increasing managerial ownership in companies leads to bear the results of their management and investment decisions that affect their wealth, which forces them to improve their performance, thus decreasing conflicts and improving the compatibility of internal and external stakeholders (Faleye, 2007). Thus, H3 was supported. Finally, for H4 the results of the regression related to foreign ownership indicated a highly significant positive relationship between foreign ownership and performance of Jordanian non-financial companies (Coef. 0.36, t-Statistic 2.35, Prob 0.02). This result is in line with the current study objectives. This finding supports previous studies that were conducted in both developing

and developed countries such as Kao, Hodgkinson, and Jaafar (2019). This finding is consistent with the perspective of the Agency Theory, which states that foreign investors provide high oversight to reduce the agency problem. In addition, foreign investors allow companies access to financial resources and managerial talent. According to Caves (2007), it is possible for foreign-owned firms to have firm-specific advantages that domestic firms do not enjoy. Thus, H4 is supported.

CONCLUSION

The current study aimed to investigate the relationship between financial structure and firm performance, using panel data of a sample of 88 non-financial companies listed on ASE from 2009 to 2018. It was found that there was no significant relationship between financial structure ability and TobinsQ. Furthermore, there was a positive and significant relationship between debt repaying ability and TobinsQ. Also, we observed that managerial ownership had a positive and significant relationship with TobinsQ. Moreover, TobinsQ was positively influenced by foreign ownership. The findings show that modern financial theories are unable to explain the effect of debt on a company's value listed under the service and industrial sector on ASE. This indicates the urgent need to issue accurate policies related to debts granted to companies. In addition, it urges the Jordanian government to follow policies and enact legislation that encourages foreign investors because of its impact on the firm value. The current study contributes to the literature by investigating the relationship between the financial structure and the firm performance in one of the emerging economies, Jordan, where the financial structure is represented by a combination of debt benefits and how managers dealt with debt using financial structure ability and debt repaying ability. Based on that the current study encourages companies to maintain a good percentage of debt repaying ability because of its positive impact on performance by sending a positive signal to capital providers which can help the company to expand its business and generate value for shareholders. In addition, the current study presents the importance of equity using managerial ownership and foreign ownership because shares are one of the important financing sources and their impact varies according to the identities and policies of their holders. It encourages owners to provide shares as incentives for company managers to urge them

work for shareholder's interests and reduce agency problems, also attracting foreign investors because of their positive impact on the firm value by benefiting from their experiences and following control methods to reduce opportunistic behavior. Finally, the limitations of the current study are the difference of regulations and business environments between financial and non-financial companies which led to the exclusion of the financial sector from the sample of the current study. So the researchers recommend the current study be applied on the financial sector and consider studying these variables in developing and developed countries to determine the results from various perspectives and different levels of development in countries. In addition, other variables for firm performance such as market share and other variables can be used to represent the financial structure such as debt market value and internal ownership.

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