



# Impact of banking performance indicators on share price of Islamic banks listed on GCC stock exchanges

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## Abstract

**Purpose** – This study aims to explore the impact of banking performance indicators on share price of Islamic banks listed on GCC stock exchanges.

**Methodology** – The research methods related to quantitative approach are based on the data collected through the reports of 17 Islamic banks and seven stock exchanges in GCC for the period from 2012 to 2021, where the panels approach tests and fixed effect model were used to measure performance.

**Findings** – The study findings indicate that return on assets has a negative and non-significant impact on the Islamic banks share price in the stock exchanges, also, the return on equity and price/earnings ratio have a non-significant positive impact on the banks share price, while there is a negative and significant impact between earnings per Share and the banks share price index.

**Implications** – This research has significant administrative and applied implications. To gain a competitive advantage and achieving a greater market value, banks can further improve their investment performance. Furthermore, this research highlights the importance of developing Islamic banking performance and enhancing investment and financing strategies for stakeholders in Islamic banks, as well as in the financing and investment sector.

**Originality** – This study is considered as one of the main studies contributing to the analysis of the impact of banking performance indicators on share price of Islamic banks listed on GCC stock exchanges.

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## Introduction

Banks are a basic part of the economy and support the economic system; banks regulate and facilitate the process of transactions between individuals, institutions, and the public and private sectors to create solutions for finance and investment. Islamic Banks' activities have expanded during the last period in terms of the increase in their number and geographical spread, the number of dealers with them, and the volume of transactions. Islamic banks currently play a key economic role worldwide; international banks and financial institutions deal with Islamic banks through special branches and sections (Asee, 2010).

Islamic banking and finance are characterized by their connection to the real economy, and their instruments have been developed according to the principles of participation and have the ability to achieve financial stability, reduce inflation rates and price fluctuations, enhance

confidence in financial systems, and decrease financial risks (Khalid, 2013). Islamic financial institutions reached 1,595 institutions, such as banks, Takaful insurance companies, funds, and others that manage financial assets, estimated at more than 3,374 billion dollars in 2018 (Refinitiv, 2020). Islamic banks play a major role in supporting and developing financial markets as one of the most important investment outlets that absorb and supply surplus liquidity when needed and finance projects and investments (Ashraf, 2013). Stock exchanges contribute to economic development and provide investors with a variety of investments (Fakroon, 2013). Rising stock market indices refer to the financial instruments traded in them, reflecting the ability of stock exchanges to attract investments (Yousef, 2019). Evaluating the financial performance of Islamic banks is important, especially after the success of their experience and growth in the global financial market (Nabil & Ali, 2009).

The Islamic banking sector in the GCC is enhanced as a result of achieving high profits from financial institutions and Islamic banks. Therefore, GCC countries have achieved high growth and stability in their Islamic financial systems (Research Center for Islamic Economics Report, 2017). In addition, Islamic banks in GCC countries are distinguished by their high financial assets, growth, and ability to work in the banking finance market and achieve high growth indicators despite economic fluctuations, such as changes in exchange rates, oil prices, and global crises such as the Covid-19 crisis. According to the Arab Monetary Fund, Islamic banks in the GCC were ranked third for Islamic banks' assets globally in June 2017. Al Rajhi Bank is the first Islamic bank in GCC countries with estimated financial assets of \$91.49 billion, and Qatar Islamic Bank is the third largest Islamic bank in the world (Almonifi et al., 2021). Investors must ensure that the activities and structures of the companies invested in are compatible with Islamic Sharia (Khatkhatay & Nisar, 2007). Market indices, such as earnings per share and book value per share, affect share prices in stock exchanges, and earnings per share are a strong factor in determining share prices (Sharma, 2011). Therefore, Sharia-compliant and equity-based investing is a feasible and ethical investment method (Natarajan & Dharani, 2012). Financial indicators such as dividend payout ratio and price-earnings ratio affect stock prices (Oyedokun et al., 2019). The study gap drives the current research paper, which applies a panel data model addressed in the following parts of the paper. The current study looks at the relationship between the Islamic banks performance indicators and their impact on the share price. Therefore, the study is considered as one of the main studies contributing to the analysis of the impact of banking performance indicators on share price of Islamic banks listed on GCC stock exchanges.

## Literature Review

The subject of bank stock prices on the stock exchanges has become a subject of considerable interest to researchers and economists alike, as it plays a crucial role in economic development and the movement of investments. Henidy (1993) discusses securities traded in instant capital markets, instant financial market structure, and indicators of market conditions and market analysis, as well as market efficiency and trading in Arab capital markets. Transactions with Islamic and financial instruments must be free from Riba and Gharar, and the staff that regulates financial markets must implement their required role in accordance with the requirements of Islamic Sharia (Tag el-Din, 1996). According to Bashir (2003), higher capital and loan-to-asset ratios increase profitability, the possibility of the presence of foreign banks leads to increased profitability, and stock markets and banks are complementary.

Basheikh (2005) examines the relationship between share price and book value in the Saudi stock market and confirms the importance of the Saudi Capital Market Authority and its role in regulating the financial market. Yusof and Majid (2007) conclude that interest rate volatility affects conventional stock market volatility, but does not affect Islamic stock market volatility. Dehuan and Jint (2008) mentioned that a company's performance explains changes in stock prices. Moss and Moss (2010) in their study concluded that bank stock prices are sensitive to changes in interest rates. Assi (2010) mentioned that there is growth in profits of the banks reserves, capital, and investments, therefore, this increase the banks share price in exchanges. Fadil (2011) examines the factors that hinder the development of the Islamic market and trade exchange between Islamic

countries and confirms that achieving economic integration among Islamic countries is recommended for the establishment of the Islamic market. Uwuigbe et al. (2012) concluded that there is a positive relationship between the financial performance of companies and the market value of companies' share prices in the Nigerian stock exchange.

Al-Nadui (2012) also concluded that it is not permissible to trade shares of companies that do not comply with Islamic Sharia. Kern (2012) discussed the role of GCC finances in global competition and the responsibilities of the Gulf Monetary Union. Irfan and Akhtar (2016) evaluated the performance of S&P BSE 500 Sharia companies from January 2010 to December 2014 and concluded that Sharia-compliant shares are constantly growing in India's capital markets. Siddiqui and Sheikh (2016) concluded that there is no long-term correlation between the Sharia index Nifty 500 and Nifty 500 on the National Stock Exchange in India. Alam, Mohammed and Abdul Karim (2016) examined the factors that affect share prices in the Bangladesh exchange and found that EPS, NAVPS, P/E, and CPI have an effect on the stock price. Dadhich, Chouhan, and Adholiya (2019) mentioned that the prices of different indices do not move independently.

Oyedokun et al. (2019) concluded that the dividend payout ratio and price-earnings ratio positively affect stock prices, whereas dividends and book value have a significant negative effect on the share price. According to Matharu (2019), there is a relationship between Islamic stock indices in India and S&P BSE 500 Sharia, Nifty Sharia 25, Nifty 50 Sharia, and Nifty 500 Sharia. Soni and Roy (2020) concluded that there is reciprocity between Nifty 500 Sharia and S&P BSE 500 Sharia, and no relationship between IDX Sharia and Jakarta Islamic Index compared to Nifty 500 Sharia.

In addition, Rehman et al. (2021) indicated that Islamic banks in GCC countries achieved appropriate performance during the crisis covid-19 and their shares in stock exchanges were not affected by the crisis. The covid-19 crisis caused a sharp decrease in the share of banks listed on the Bombay Stock Exchange (Kumar & Rani 2021). In addition, Shrotryia and Kalra (2021) concluded that the right decisions should be made with regard to investing in the Bombay Stock Exchange. Islamic banking has achieved progress in becoming a truly competitive alternative to traditional banking (Rehman et al., 2021). As well as, Almonifi (2022) in his study about the green economy suggested adopting the green finance index as one of the performance indicators in Islamic banks. Economic crises have no strong negative impact on banking performance indicators in Islamic banks because they deal with real investment activities (Almonifi & Bhosle, 2023).

## Hypotheses

The study of Shubiri (2010) concluded that there is a positive relationship between the market price of the stock and net asset value per share, the market price of stock dividend percentage, and gross domestic product, and a negative relationship between inflation and lending interest rate. Fakroon (2013) concluded that there is a relationship between enterprise size and earnings per share. Natarajan and Sivakavitha (2020) confirmed a positive correlation between stock returns and high financial performance. While Sukesti et al. (2021) mentioned that the debt-to-equity ratio and return on assets have a positive effect on stock price, while size has a significant positive effect on return on assets which also affects the stock price. So the hypothesis will be as follows.

H<sub>1</sub>: There is a statistically significant positive impact of Returns on assets of Islamic banks listed on stock exchanges on their shares price.

The study of Natarajan and Dharani (2012) shows that Sharia-compliant and equity-based investing is a feasible and ethical investment method. Sharif et al. (2015) concluded that return on equity, book value per share, dividend per share, dividend yield, price-earnings, and firm size are significant determinants of share prices. According to Balan and Srinivasan (2017), sales, dividends per share, and return on net worth, which are considered basic determinants of stock prices, positively affect stock prices. Ali et al. (2018) found significant effects on portfolio advisors, risk management structures, and regulators of the banks.

H<sub>2</sub>: There is a statistically significant positive impact of returns on equity of Islamic banks listed on stock exchanges on their shares price.

The study of Sharab, (2006) shows that share profits affect market prices, the impact of earnings per share and dividends are greater than the retained earnings of share on both the price and market values of the share; the share net profit exceeds the change in its market price. While (Gill et al., 2012) conclude that book value per share; earnings per share, dividend per share, and price-earnings ratio explain the variance in equity share prices. Tandon and Malhotra (2013) indicate that a firm's book value, earnings per share, and price-earnings ratio affect its stock price, and there is an inverse correlation between dividend yield and the market price of company shares. According to Mohammad (2014), there is a relationship between the DPS, EPS, BV, PE, and share price. Goyal and Gupta (2019) concluded that earnings per share, net margin, and net income have a significant impact on a company's share price.

H<sub>3</sub>: There is a statistically significant positive impact of Earnings per share of Islamic banks listed on stock exchanges on their shares price.

According to Obeidat and Al-Homoud (2010), there is no relation between share prices and trade volume, liquidity, book value, and financial leverage, but there is a positive correlation between banks' share prices and dividend per share and earnings per share. The study of Sharma (2011) concluded that earning per share, dividend per share and share book value affect share market price, also, earnings per share and dividend per share are determining the market share price. The study of Khan and Amanullah (2012) shows that the increasing GDP, dividends, and P/E ratio lead to an increase in share prices, and there is also a relationship between the B/M ratio, interest rate, and share prices. Also, Khan (2012) mentioned that book value-to-market ratio, price-earnings ratio, dividends, and gross domestic product affected stock prices positively, except for interest rates.

H<sub>4</sub>: There is a statistically significant positive impact of Price/Earnings ratio of Islamic banks listed on stock exchanges on their shares price.

## Methodology

### Data Collection

The research population consists of Islamic banks registered in GCC stock exchanges, while the study sample consists of 17 top Islamic banks in GCC stock exchanges, as shown in Table 1.

**Table 1.** Islamic Banks Listed on GCC Stock Exchanges

Country	Banks	Stock Exchange	Stock Symbol	Bank Symbol
Saudi Arabia	Al Rajhi Bank	Saudi Stock Exchange	TASI	1120
	Alinma Bank	Saudi Stock Exchange	TASI	1150
	Bank Albilad	Saudi Stock Exchange	TASI	1140
	Bank Aljazira	Saudi Stock Exchange	TASI	1020
UAE	Dubai Islamic Bank	Dubai Stock Exchange	DFMGI	DISB
	Sharjah Islamic Bank	Abu Dhabi Securities Exchange	FTFADGI	SIB
	Abu Dhabi Islamic Bank	Abu Dhabi Securities Exchange	FTFADGI	ADIB
	Ajman Bank	Dubai Stock Exchange	DFMGI	AJBK
Bahrain	Bahrain Islamic Bank	Bahrain Bourse	BAX	BISB
	Al Baraka Banking Group	Bahrain Bourse	BAX	BARKA
	GFH Financial Group	Bahrain Bourse	BAX	GFHB
Qatar	Qatar Islamic Bank	Qatar Stock Exchange	QSI	QISB
	Qatar International Islamic Bank	Qatar Stock Exchange	QSI	QIIB
	Masraf Al Rayan	Qatar Stock Exchange	QSI	MARK
Kuwait	Kuwait Finance House	Boursa Kuwait	BKP	KFH
	Warba Bank	Boursa Kuwait	BKP	WARB
Oman	Bank Nizwa	Muscat Securities Market	MSX30	BKNZ

## Statistical Software Used

The collected data were analyzed using the Eviews 12 software, which is known as the Panel Least Squares Method, and Pooled Regression Model applied or fixed effect model/random effect model according to the Breush Pagen and Hausman Tests. Data were sourced from annual reports and quarterly statistics of the selected Islamic banks for 2012-2021.

## Model Specification

The basic models applied for estimating the pool object are as follows:

$$Y_{it} = a + \beta X_{it} + \epsilon_{it} \quad (1)$$

$t = 1, 2, \dots, T \quad i = 1, 2, \dots, N$

The study model, according to the panel approach equation, is expressed as

$$SP = \beta_1 + \beta_2 ROA + \beta_3 ROE + \beta_4 EPS + \beta_5 PER + e \quad (2)$$

Where, independent variables are Return on assets (ROA), Return on equity (ROE), Earnings per Share (EPS), and Price/Earnings Ratio (P/ER) and the dependent variable is the bank's share price (SP). I represents all the banks from 1 to 17, whereas  $t =$  signifies time from Q1 2012 to Q4 2021, constituting quarterly data sourced from banks and stock exchange websites and 680 observations of all individual banks.

## Analysis and Results

### Panel Descriptive Statistics

Descriptive statistics of each cross-section included the banks and variables shown in table 2.

**Table 2.** Descriptive Statistics

Description	ROA	ROE	EPS	P/ER	SP
Mean	0.121269	0.213182	3.891353	31.45536	49.82530
Median	0.015000	0.097000	1.180000	7.134500	5.181000
Maximum	3.665000	8.635000	38.80000	1989.000	820.0000
Minimum	-0.063000	-0.512000	-38.67000	-83.53000	0.067000
Std. Dev.	0.417903	0.702315	8.547150	174.8138	125.4888
Skewness	5.356791	10.29076	1.502045	9.317055	3.428960
Kurtosis	37.33150	122.1784	11.66541	97.80209	15.51327
Jarque-Bera	36647.27	414433.9	2383.229	264482.2	5769.032
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	82.46280	144.9640	2646.120	21389.65	33881.21
Sum Sq. Dev.	118.5827	334.9139	49603.51	20750149	10692518
Observations	680	680	680	680	680

Table 2 shows the mean and standard deviation for variables of all 17 Islamic banks. For all selected banks, SP has the highest mean of 49.82530, while ROE has the lowest mean of 0.213182. P/ER has a higher standard deviation of 174.8138, while ROA has the lowest standard deviation of 0.417903. The p-value of all variables is less than 0.05 which means that all variables are significant. The overall descriptive statistics show that Islamic banks have high deviations exposed to high volatility as well.

### Panel Variables Correlation

The correlation matrix test between independent variables helps to specify the correlation to ensure that the study model is free of basic problems which can emerge through estimating the panel data model. The multiple correlation coefficients are related to the regression of each independent variable which links to the rest of the explanatory variables which are calculated by different

econometric programs (Chahinez, 2015). The common formulas of Pearson's correlation coefficient are as:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}} \quad (3)$$

Another formula, sample correlation:

$$r_{xy} = \frac{s_{xy}}{s_x s_y} \quad (4)$$

General population correlation:

$$\rho_{xy} = \frac{\sigma_{xy}}{\sigma_x \sigma_y} \quad (5)$$

**Table 3.** Variables Correlation

Correlation	ROA	ROE	EPS	P/ER	SP
ROA	1.000000	0.333607	0.068664	0.353940	-0.044562
ROE	0.333607	1.000000	-0.031323	-0.047566	-0.042193
EPS	0.068664	-0.031323	1.000000	-0.058400	0.668107
P/ER	0.353940	-0.047566	-0.058400	1.000000	0.200475
SP	-0.044562	-0.042193	0.668107	0.200475	1.000000

Source: Estimates are computed by Eviews 12

The results of the cross-section correlation test show a high positive correlation between SP and EPS but low positive correlations with P/ER While ROA and ROE have a low negative correlation with SP.

### Dumitrescu Hurlin Panel Causality Test

Dumitrescu Hurlin test (2012) is an extension of Granger test (1969), they expect the cross-sectional dependence between units and predict cross section dependent and cross section independent according to adapting regression (Lopez & Weber, 2017).

$$y_{i,t} = a_i + \sum_{k=1}^K \gamma_k y_{i,t-k} - k + \sum_{k=1}^K \beta_k x_{i,t-k} + \varepsilon_{i,t} \text{ with } i=1 \dots N, \text{ and } t=1 \dots T \quad (6)$$

In general, the bivariate regressions in a panel data model context are represented by the form:

$$y_{i,t} = a_{0,i} + a_{1,i} y_{i,t-1} + \dots + a_{k,i} y_{i,t-k} + \beta_{1,i} x_{i,t-1} + \dots + \beta_{k,i} x_{i,t-k} + \varepsilon_{i,t} \quad (7)$$

$$x_{i,t} = a_{0,i} + a_{1,i} x_{i,t-1} + \dots + a_{k,i} x_{i,t-k} + \beta_{1,i} y_{i,t-1} + \dots + \beta_{k,i} y_{i,t-k} + \varepsilon_{i,t} \quad (8)$$

H<sub>0</sub>: Banking Performance Indicators Don't Homogenously Cause SP

H<sub>1</sub>: Banking Performance Indicators Do Homogenously Cause SP

**Table 4.** P-value of Dumitrescu Hurlin Panel Causality Test

Null Hypothesis:	W-Stat.	Zbar-Stat.	Prob.
SP does not homogeneously cause EPS	2.84018	1.29106	0.1967
EPS does not homogeneously cause SP	2.91346	1.42410	0.1544
SP does not homogeneously cause PER	4.02988	3.45090	0.0006
PER does not homogeneously cause SP	4.29186	3.92650	9.0005
SP does not homogeneously cause ROA	2.41220	0.51407	0.6072
ROA does not homogeneously cause SP	2.36473	0.42790	0.6687
SP does not homogeneously cause ROE	3.06591	1.70086	0.0890
ROE does not homogeneously cause SP	2.96189	1.51201	0.1305

Table 4 shows the results which refer to accepting the null hypothesis which means that there is no causality among the variables, and alternative hypothesis is rejected except only SP does

homogeneously cause PER. Therefore Panel Causality test shows that variables do not cause each other in general.

### Panel Unit Root Tests

For testing the stationary of cross-sectional time series and detecting unit root, the tests of Levin, Lin and Chu (2002) and Im' Pesaran and Shin (2003) were adopted.

H<sub>0</sub>: Each Time Series Contains a Unit Root

H<sub>1</sub>: Each Time Series is Stationary

Next, panel OLS regression is run according to the final equation as given below.

$$\tilde{e}_{it} = \rho \tilde{v}_{i,t-1} + \tilde{\varepsilon}_{it} \quad (9)$$

For Im' Pesaran and Shin, the hypotheses:

$$H_1: \begin{cases} \rho_i < 0 \text{ for } i = 1, 2, \dots, N_1 \\ \rho_i = 0 \text{ for } i = N_1 + 1, \dots, N \end{cases} \quad (10)$$

$$\text{Then, the panel individual unit root test. } t^- = \frac{1}{N} \sum_{i=1}^N t_{pi} \quad (11)$$

The values shown in Table 5 refer to that all the time series have a unit root at level, so we failed reject null hypothesis, whereas all the variables became stationary at first difference, so we rejected strongly null hypothesis at first difference.

**Table 5.** Results of Panel Unit Root Tests

Variables	Levin, Lin & Chu (2002)		Im' Pesaran & Shin (2003)	
	Level 1(0)	Deference 1(1)	Level 1(0)	Deference 1(1)
ROA	-0.31560 (0.3762)	-6.15531 (0.0000)	-1.28290 (0.0998)	-11.0021 (0.0000)
ROE	1.26151 (0.8964)	-5.73862 (0.0000)	-0.29872 (0.3826)	-10.8279 (0.0000)
EPS	0.38605 (0.6503)	-6.40915 (0.0000)	0.13563 (0.5539)	-10.8272 (0.0000)
P/ER	1.25987 (0.8961)	-8.39573 (0.0000)	-0.06693 (0.4733)	-10.3311 (0.0000)
SP	1.82785 (0.9662)	-5.65537 (0.0000)	1.68300 (0.9548)	-7.02122 (0.0000)

Source: Estimates are computed by Eviews 12

### Panel Cointegration Tests

In this study, the test of the stationery of all variables at level and first difference followed by Pedroni (1999, 2004) and Kao (1999) tests applied for panel cointegration analysis of variables series which based on unit root tests for estimated residuals (Badrawi Shahinaz, 2015). The hypotheses are as follows.

H<sub>0</sub>: No Panel Cointegration among the Variables

H<sub>1</sub>: Presence of Panel Cointegration among the Variables

Kao and Chiang (2000) specify the pooled DOLS estimator and by which ordinary least squares applied for estimating an augmented cointegration regression equation (IHS Markit, 2020):

$$y_{it} = X_{it}\beta + \sum_{j=q_i}^{r_i} \Delta X_{it+j}\delta_i - v_{1it} \quad (12)$$

**Table 6.** Kao Test (1999)

ADF	t-Statistic	Prob
	-8.297575	0.0000
Residual variance	5.484922	-
HAC variance	5.478534	-

Source: Estimates are computed by Eviews 12

In Table 6, Kao test (1999) indicates that existence of simultaneous cointegration between the variables, therefore we reject the null hypothesis and we can run to estimating the regression.

### Estimating Data Regression Model

In order to estimate the appropriate model for the analysis of the relationship between financial performance indicators and share prices, we will conduct Lagrange Multiplier tests (Breusch-Pagan test) to select the appropriate model among the fixed effect model, random effect model or common model according to next hypotheses:

H<sub>0</sub>: Pooled Regression is better

H<sub>1</sub>: FEM/REM is better

### Breusch-Pagan Test

Based on p-values of Breusch-Pagan test for both panel section and time which are 0.05, we reject the null hypothesis which indicates that pooled OLS is not stable, and the FEM or REM is considered in our study.

**Table 7.** Breusch-Pagan Test

Effects Test	Cross-section	Time	Both
Breusch-Pagan	1711.315 (0.0000)	0.410210 (0.5219)	1231.725 (0.0000)

Source: Estimates are computed by Eviews 12

### Hausman Test

Hausman test was conducted under the following hypotheses to choose between fixed effect model and random effect model:

H<sub>0</sub>: Random Effect Model is appropriate

H<sub>1</sub>: Fixed Effect Model is appropriate

**Table 8.** Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	343.916659	4	0.0000

Source: Estimates are computed by Eviews 12

As the p-value is less than 0.05, we reject the null hypothesis and accept the alternative hypothesis which means that Correlated Random Effects model is not fit for estimating the model, and Fixed Effect Model is more appropriate in our study

### Estimating Fixed Effects Model

We will estimate the parameters of model according to result of Hausman test by a fixed effects model. Table 9 shows the significant value of parameter ( $\alpha$  %) at 0.05 and positively affects SP. The variable EPS has a significant p value of 0.05, which indicates that this variable has a direct negative effect on SP, while ROA, ROE and PER have no significant p value of 0.05, which indicates that they do not affect SP. The equation of regression analysis of independent variables to dependent variable is given bellow according to equation values included in Table 9.



$$SP = C (1) + C (2)*ROA + C (3)*ROE + C (4)*EPS + C (5)*PER + [CX=F]$$

$$SP = 54.7990525281 - 2.92753426046*ROA + 1.61495132433*ROE - 1.36082033029*EPS + 0.0105680814247*PER + e_{1,11}$$

**Table 9.** Fixed Effects Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	54.79905	2.066268	26.52078	0.0000
ROA	-2.927534	5.525320	-0.529840	0.5964
ROE	1.614951	2.601112	0.620870	0.5349
EPS	-1.360820	0.344973	-3.944718	0.0001
PER	0.010568	0.011400	0.927015	0.3543

Source: Estimates are computed by Eviews 12

**Table 10.** Coefficient of Determination

Cross-Section Fixed (Dummy Variables)			
R-squared	0.910528	Mean dependent var	49.82530
Adjusted R-squared	0.907813	S.D. dependent var	125.4888
F-statistic	335.3214	Durbin-Watson stat	0.088713
Prob(F-statistic)	0.000000	Observations	680

Source: Estimates are computed by Eviews 12

The results shown in Table 10 indicate strong relationship between dependent variable and independent variables, where coefficient of R-squared is 0.910528 close to 1, also F- statistical 335.3214 refers to that fixed effects model is significance.

## Discussion

The result of the hypothesis H1 ( $\beta = -2.927534$ ,  $p = 0.5964$ ) showed a negative and non-significant effect on the index of Islamic banks share prices in the stock exchanges. Therefore, the change in return on assets has no relationship with the change in share prices. Moreover, for Returns on Equity (H2), there is a non-significant positive effect between the return on equity index and the Islamic banks share price index ( $\beta = 1.614951$ ,  $p = 0.5349$ ). It is apparent that the result approaches the research hypothesis according to the probability value. In addition, there is a non-significant positive effect between Price/Earnings Ratio index and the Islamic banks share price index (H3) ( $\beta = 0.010568$ ,  $p = 0.3543$ ). While, the result of hypothesis H4 ( $\beta = -1.360820$ ,  $p = 0.0001$ ) demonstrated a significant negative effect on the index of Islamic banks share prices in the stock exchanges. Therefore, the change in Earnings per Share has a negative relationship with the change in stock prices.

**Table 11.** Hypotheses Testing

Hypotheses	Variables	Coefficient	P-value	Decision
H <sub>1</sub> : Returns on assets of Islamic banks listed on GCC stock exchanges positively affect its shares price	Returns on Assets	-2.927534	0.5964	Rejected
H <sub>2</sub> : Returns on equity of Islamic banks listed on GCC stock exchanges positively affect its shares price	Returns on Equity	1.614951	0.5349	Rejected
H <sub>3</sub> : Earnings per Share of Islamic banks listed on GCC stock exchanges positively affect its shares price	Earnings per Share	-1.360820	0.0001	Accepted
H <sub>4</sub> : Price/Earnings Ratio of Islamic banks listed on GCC stock exchanges positively affect its shares price	Price/Earnings Ratio	0.010568	0.3543	Rejected

## Conclusion

The study has assumed that the profitability and market ratios have a likely effect on share prices but the results of study proved the opposite. The current study validated the proposed relationship between the earnings per Share and share price, while it was proven that the indicators of return on assets, return on equity, and the price-earnings ratio have no effect on the share price. The study concluded that return on assets has a negative and non-significant impact on the Islamic banks share price in the stock exchanges, also, the return on equity and price/earnings ratio have a non-significant positive impact on the Islamic banks share price, while there is a negative and significant relationship between earnings per Share and the Islamic banks share price index.

This research has significant administrative and applied implications. To gain a competitive advantage and achieving a greater market value, banks can further improve their investment performance. Based on the results, share investors may have a motive to buy Islamic bank shares according to some performance indicators, while some indicators do not constitute a motive for other investors. Furthermore, this research highlights the importance of developing Islamic banking performance and enhancing investment and financing strategies for stakeholders in Islamic banks, as well as in the financing and investment sector.

Despite contributing to the financial literature, the research has some limitations that must be noted in terms of the study sample; it represents a group of Islamic banks in GCC countries and therefore has a specific nature of the activity, also it applied specified performance indicators, and therefore, the results cannot be generalized to conventional banks, similarly, the heterogeneity of Islamic banks in terms of the size of assets and finance capabilities. Thus, the results of this study can enhance and improve future research on the relationship between Islamic banks' performance and share price indices. Moreover, other empirical studies should be conducted based on other financial indicators that may influence share prices, such as macro and microeconomic factors, as well as the use of other aspects related to the status of banks, their geographical and market spread, and The economic environment in which Islamic banks are located.

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