

Mediating Effects of Liquidity in the Relationship between Earnings Quality and Market Value of the Share Price: Evidence from Jordan

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Abstract. *The current study aims to investigate the effect of earnings quality on the market value of the share price, and then the role of liquidity as a mediating effect in the relationship between earnings quality and the market value of the share price. This study provides some empirical evidence from an emerging market, especially from Jordanian market. The framework of this study is developed by the classical valuation theory that discusses the factors that affect the market value of the shares prices. Also, this study is a quantitative study using a panel data analysis. The study population includes all Jordanian industrial public shareholding companies listed in the Amman Stock Exchange (ASE) during the year 2012 to the year 2017, where there are 62 industrial companies listed in ASE during this period. The study sample is all targeted companies that are included in the study population. In other words, it uses a comprehensive sample method. In conclusion, a high earnings quality and more liquidity in Jordanian industrial public shareholding companies increase their market value of the shares prices. At the same time, liquidity mediates the relationship between earnings quality and the market value of the shares prices of those companies. Moreover, the level of Jordanian market controlling of earnings quality and liquidity is a good one. The study recommended to continually investigating the relationship between organizational factors and earnings management, which may have a positive effect on the market value of the shares prices.*

Keywords: Information opacity, Earnings quality, Investor protection, Emerging market shares, Industrial Companies.

JEL Codes: M41, G40, G41, G32.

1. Introduction

Earnings quality is one of the most important matters for evaluating the financial situation. Earnings quality concept is a catch-all term for the relevance and reliability of the information contained in the financial statements (Dempster & Oliver, 2019). It provides great benefits for investors, creditors, financing suppliers, and other users (Schipper & Vincent, 2003; Abdelghany, 2005; Das, Shroff, & Zhang, 2009; Lambert, Leuz, & Verrecchia, 2007; Dempster & Oliver, 2019). Francis, LaFond, Olsson, and Schipper (2002) discussed that the information of earnings quality is the main factor used by creditors, where there is a negative relationship between earnings quality and cost of capital (Francis, LaFond, Olsson, & Schipper, 2004; Easley & O'Hara, 2004). The companies with a good earnings quality enjoy discounts in their costs of debt, as well as in their costs of equity relative to companies with the poorest earnings quality (Dechow & Dichev, 2002; Easley & O'Hara, 2004; Ecker, Francis, Kim, Olsson, & Schipper, 2006).

Chan, Chen-K, Chen-T, and Yu (2015) documented that high earnings quality works on increasing investors' confidence in earnings information through reducing financial misstatements (Cheng, Dinh, Schultze, & Assel, 2019). Beyer, Guttman, and Marinovic (2019) confirmed that earnings quality works on managing the magnitude of investors' uncertainty via providing information about future earnings and the

company assets in place (Perotti & Wagenhofer, 2014). Furthermore, Mitra (2016) noted that company-specific return volatility is highly correlated with earnings quality, where economic fundamentals and managerial discretionary behavior have an impact on company-specific return volatility. This is because current earnings are useful for predicting future earnings and are an important indicator of future dividend-paying ability (Schipper & Vincent, 2003; Dempster & Oliver, 2019). Moreover, earnings quality refers to the “ability of reported earnings to reflect true earnings, as well as the usefulness of reported earnings to predict future earnings” (Bellovary, Giacomino, & Akers, 2005), and thereby a high earnings quality will indicate lower company-specific return volatility (Mitra, 2016).

However, Healy and Whalen (1999) reported that “investors view earnings as value-relevant data” to assess the prospects of company enterprises. This is because earnings and earnings quality affected by management are related to accounting methods, judgments, and estimates made, as well as decisions by standard setters (Teets, 2002). Dempster and Oliver (2019) discussed that smoothing patterns of earnings can be used to communicate superior earnings for investors (Thomas & Zhang, 2002; Tan & Jamal, 2006), raise stock prices (Barth, Elliott, & Finn, 1999), and beat analysts’ expectations (Fields & Keys, 2003). They also added that earnings quality represents an important and expensive aspect of managerial behavior that should be controlled by investors, and it’s an ethical issue (Dempster & Oliver, 2019).

In other words, one can say that earnings quality is a good factor that investors can use to predict future earnings, and then take their investment decisions. Investors consider earnings quality as one of the most important and reliable elements in the decision-making process and in preparing financial forecasts about the returns (Mitra, 2016). According to Abdelghany (2005), the company that manages earnings sends a message to its financial information users that bending the truth is an acceptable price, and this is contributing to creating an ethical environment in which suspicious activities may occur. Thereby, the relationship between earnings quality and the market value of the share price claims involves important aspects of business ethics, accounting standard setting, and economic theory (Dempster & Oliver, 2019; Li, 2014).

The current study develops an econometric model of the relationship between earnings quality and market value of the share price to explore the level of market controlling of earnings quality, as empirical evidence from Jordanian market. Then, this study uses the liquidity factor as a mediator in the relationship between earnings quality and market value of the share price. This is because the liquidity is a variable which is affected by a range of factors, the most important of which is the earnings quality and earnings management (Hsu & Yu, 2015). Chae (2005) indicated that there is a negative relationship between liquidity and information asymmetry before earnings announcements, at the same time there is a positive relationship after the earnings announcement. Besides, numerous studies explore the effect of liquidity on the required return of the stock, such as Pastor and Stambaugh (2003), Deng and Ong (2014), and Hsu and Yu (2015).

Moreover, the contribution of this study is twofold. The first contribution lies in the fact that it increases the body of the knowledge about the relationship between earnings quality and market value of the share price in an emerging market (Jordanian market). In addition to, the role of the liquidity as a mediator factor in the relationship between earnings quality and market value of the share price. The second contribution of this study is that it identifies the level of market controlling of earnings quality and then provides some evidence about it, especially from an emerging market (Jordanian market). This means that the perceptions of earnings management will reduce market equity value.

2. Literature Review and Hypothesis Design

The researchers disagree about earnings quality concept. Hamdan, Mushtaha, and Al-Sartawi (2013) indicated that earnings quality means persistence of cash flow in more than persistent in accruals, as the lower non-ordinary accruals percentage in accounting profit refers to more earnings quality. Conversely, Ball, and Shivakumar (2005) see that earnings quality is providing accurate information about the operating and future performance for companies by focusing on information quality like relevance and credibility that gives the ability to forecast and determine company fair valuation. Kamarudin and Ismail (2014) indicated that earnings quality is the earnings ability to provide investors and creditors with information about cash flow sources in harmony with general accounting principles. They also noted that there is a positive relationship between earnings and cash flows, as the more positive in this relationship indicates better earnings quality.

On the other hand, Persakisa and Iatridis (2018) indicated that earnings quality is the earnings that genuinely and credibly represent real earnings. The earnings must exist and must not be fraudulent. Thereby, earnings quality will be high if it is accountable and conservative, as well as there's no window dressing and earnings management (Hamdan, Mushtaha, & Al-Sartawi, 2013).

Besides, several existing studies of earnings quality and the market value of share indicate that earnings quality and the market value of share are important issues, especially with environmental uncertainty that affects companies' performance (Dechow, 1994; Ball & Shivakumar, 2005; Burgstahler, Hail, & Leuz, 2006; Davis-Friday, Eng, & Liu, 2006; Dechow, Ge, & Schrand, 2010; Dichev, Graham, Harvey, & Rajgopal, 2013; Martowidjojo, Valentincic, & Warganegara, 2019). Martowidjojo, Valentincic, and Warganegara (2019) noted that there is a negative relationship between earnings quality and the market values of equity of companies listed on the Jakarta Stock Exchange during the years 1995-2015. This means that high earnings quality will improve the market values of shares. Machdar, Manurung, and Murwaningsari (2017) noted that there are relationships between earnings quality, accounting reservations, and real earnings management. The high accounting reservation will improve the relevance value of accounting information, and then it will increase the earnings quality. Furthermore, earnings quality positively affects the operating performance of the company, and thus there is a negative relationship between real earnings management and the company's performance.

Aguguom and Salawu (2018) discussed the relationship between earnings quality and companies' book value evidence from 51 Nigerian companies listed in the Nigerian Stock Exchange for the period (2000-2016). They noted that companies' book value is significantly affected by earnings quality, where ensure information disclosure enhances earnings quality and credibility of reported book value, and this is also supported by Aguguom, Dada, and Nwaobia (2019). Besides, Chan-K., Chan-L., Jegadeesh, and Lakonishok (2006) noted that earnings quality significantly affects stock returns, where there is a negative relationship between earnings quality and earnings management, and low-earnings management will increase stock returns.

Ma (2017) documented that higher earnings quality and related public companies reduce a company's systematic market risk, and then the company's stock price increases. This result is supported by the theoretical framework of Lambert, Leuz, and Verrecchia (2007). Machdar, Manurung, and Murwaningsari (2017) noted the company's performance positively affected by earnings quality, and it's negatively affected by real earnings management. Challen and Siregar (2012) also noted that real earnings management has a negative effect on company's value. In other words, real earnings management means low-earnings quality, and the company's value decreases. Besides, Fatemi, Glaum, and Kaiser (2018) concluded that good

performance strengths increase company's value and that weaknesses decrease it (Sardo & Serrasqueiro, 2017).

Moreover, Latif, Bhatti, and Raheman (2017) concluded that earnings quality contributes positively to maximizing the value of 214 non-financial companies listed in Pakistan for the period 2003-2014. Gao (2018) added that earnings quality significantly affects information related to shares prices, and this result is related to the findings of Hutagaol, Valentincic, and Warganegara (2019). Additionally, Wijesinghea and Kehelwalatennab (2017) indicated that there's no statistically significant effect of earnings quality on manufacturing companies' shares returns. Antonio, Laela, and Darmawan (2019) indicated the earnings quality rule as a mediator factor in the relationship between corporate governance and market response for Islamic and un-Islamic shares listed in the Indonesian financial market. Earnings quality drop leads to increasing market response for shares which affects shares market prices.

Al Deeb (2018) documented that there is an impact of earnings quality as a mediator factor in the relationship between returns variability, earnings management, and corporate governance, with shares performance in the Egyptian financial market. Lee (2019) indicated that there is an impact of non-operating earnings quality on market returns in Taiwan's biotechnology companies.

Classical valuation theory presents that the market value of the shares prices equals the present value of expected future cash flows (Miller & Modigliani, 1961). Kormendi and Lipe (1987) suggested that the returns earnings association consists of earnings persistence, and it measures the extent to which current earnings are correlated to future earnings. These findings suggest that there is a relationship between returns earnings association and earnings quality. Additionally, the returns earnings association is linked to the quality of stock prices. Likewise, returns earnings association and earnings quality will work on investor protection through helping them to make the right investment decisions and predict future returns (Cahan, Emanuel, & Sun, 2009).

However, one can note that there has been relatively little work by the researchers in the relationship between earnings quality and market value of the share price, specifically in emerging markets such as Jordanian market. Furthermore, previous studies did not investigate the liquidity factor as a mediator in the relationship between earnings quality and market value of the share price, while research has been abundant into the prevalence and indications of earnings management. At the same time, there is variation in the effect of earnings quality, and it has been under-explored in the literature. Thereby, this study investigates the direct relationship between earnings quality and market value of the share price, and indirect relationship by liquidity factor as a mediator, empirical evidence from Jordanian market, as an emerging market.

In Jordan, market prices showed an irregular trend in the shares prices, specifically in the shares prices of Jordanian industrial public shareholding companies which are listed in the Amman Stock Exchange (ASE). The mean of the shares prices of Jordanian industrial public shareholding companies which are listed in ASE was JD 2.50 for the year 2012, and it was JD 2.12 for the year 2015, as well as it changed to JD 1.94 in the year 2017, although that mean of earning per share for the same companies was 10 percent for the year 2012, and 7 percent for the years 2013 and 2014. For the years 2016 and 2017, earning per share was 3 percent and 1 percent respectively (ASE).

Finally and from the above discussions, we can present the study hypotheses as follows:

- First Hypothesis: *High earnings quality increases the market value of the shares prices.*
- Second Hypothesis: *High earnings quality improves liquidity.*
- Third Hypothesis: *Liquidity affects in increase the market value of the shares prices.*

- Fourth Hypothesis: *Liquidity mediates the relationship between earnings quality and the market value of the shares prices.*

3. Methodology

3.1. Population and the Study Sample

The study population will be composed of 62 Jordanian industrial public shareholding companies, which are listed in the Amman Stock Exchange (ASE) from 2012 to 2017. Official reports from government entities, such as Central Bank of Jordan recently released that the industrial sector in Jordan is an important sector, where it contributes about 25.2% of the gross domestic product (GDP), and the value of the industrial sector in Jordan was about 3.25 JD-billions, as well as it occupies about 21% of the Jordanian workforce. The industrial sector in Jordan is also a major driver in the Jordanian economy for various other economic sectors. Thus, this study focused it aims to look at this sector through investigating the relationship between earnings quality and market value of the share price, and the role of liquidity as a mediator, as a piece of empirical evidence from Jordanian industrial public shareholding companies. As well, the study sample is all Jordanian industrial public shareholding companies listed in ASE during the study period (comprehensive survey method).

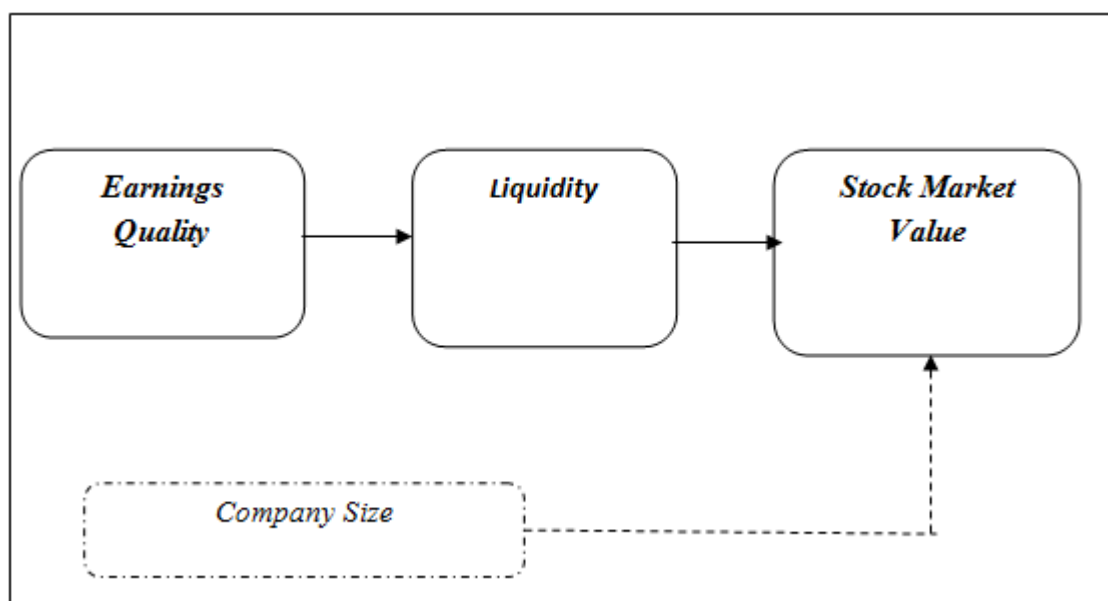
3.2. Study Data and Analysis Method

This study uses a panel data analysis based on financial disclosures related to the Jordanian industrial public shareholding companies during the study period. The unit of analysis is the organization. Besides, the study uses SPSS v.20 to test the study data using many statistical tests, which are a match with the study needs.

3.3. Study Model

The model of this study includes earnings quality as an independent variable, and the market value of the shares prices of Jordanian industrial public shareholding companies as a dependent variable, as well as liquidity as mediator factor. The model of the study investigates company size as a control variable (See the following figure 1).

Fig. 1: The study model



3.4. Measurements of the Study Variables

The framework of this study includes earnings quality as an independent variable, liquidity as a mediate variable, and the market value of the shares prices as a dependent variable. Regarding the measurement of earnings quality, the researchers disagree about earnings quality measurement which has many measurements, which is related to the diversity of financial statements users, and goals knowing to form these statements. Thereby, we can note that earnings quality measured by earnings persistence and earnings free from earnings management practices and through revenues and expenses match. In the studies of Abu Ali, Dabai, and Abu Nassar (2011) and Jafari (2016), the cash approach was used as a measure of earnings quality; where the closer the accounting profits to cash reflect higher the quality. By dividing the operating cash flow ratio of total assets by the percentage of gross assets, the closer the ratio is to the one that is true, higher the quality of earnings and this model was adopted in our study because it is concerned with measuring the predictive power of earnings quality (EQ). It is measured by the operating cash flow to total assets ratio (OCFTA), to the net income to total assets ratio (NITA), as the following equation:

$$EQ = \frac{OCFTA}{NITA} \dots \dots \dots (1)$$

Liquidity (Quick liquidity ratio QLR) is expressed as a percentage and equals total current assets after subtracting inventories (QTCA) against current liabilities (CL). As a formula: (Talebnaia & Arabi, 2014)

$$QLR = \frac{QTCA}{CL} \dots \dots \dots (2)$$

The market value of the shares prices (SP) is the share prices at the end of each year during the study period. The market value for ordinary shares is the value that is dealt with in the financial market, and it is determined as a result of shares trading based on supply and demand. As well, company size is a control variable in this study, is measured based on total assets of industrial public shareholding companies. Industrial public shareholding companies classified to four sizes, the company is a small-sized if its total assets were less than (20) JD-million, and it is a medium-sized if total assets were between (20 to less than 40) JD-million, as well as it is a large-sized if total assets were between (40 to less than 60) JD-million, and finally other than it will be a very large-sized. The following table (1) indicates that 57.2 percent of industrial public shareholding companies were their total assets less than JD 20 million, as well as 20.7 percent of industrial public shareholding companies were their total assets more than JD 60 million.

Table 1. Industrial public shareholding companies' sizes

Item	Percent %	Cumulative Percent %
Less than JD 20 million	57.2	57.2
>= JD 20 million to JD 40 million	15	72.2
>= JD 40 million to JD 60 million	7.1	79.3
More than JD 60 million	20.7	100

4. Data Analysis and Findings

4.1. Diagnostic Analysis

Initially, anomalies' values were removed from the study data to increase the relevancy of the statistical analysis findings. Then, to check if there is multicollinearity issue in a panel data, and confirm that a panel data did not suffer from any econometric issues, the study is used Pearson correlation coefficients, Variance Inflation Factor (VIF) and the inverse VIF (tolerance (TOL, 1/VIF)) tests (Baltagi, Jung, & Song, 2010; Baltagi, 2008; Gujarati & Porter, 2009). Table (2) indicates the findings of the Pearson correlation (Beta) between the study variables, respectively. The multicollinearity issue appears when the correlation coefficient finding (Beta) between two variables is more than 0.80 (Gujarati, 2003). All the Pearson correlation findings are less than 0.80, indicating that the regression models of this study do not suffer (is a fit) from the multicollinearity issue.

Table 2. Pearson correlation coefficients (Beta)

Variables	SP	EQ	QLR	Size
SP	1.000			
EQ	0.015	1.000		
QLR	0.115	0.008	1.000	
Size	0.352	0.11	-0.085	1.000

Table (3) presents the findings of the VIF and the inverse VIF (tolerance (TOL, 1/VIF)) values for the study variables of the regression model. The finding also proves that the study model is a fit model (the multicollinearity issue does not exist) because the VIF and the inverse VIF (tolerance (TOL, 1/VIF)) values for all variables in the study model are less than ten and are more than 10 percent, respectively (Baltagi, Jung, & Song, 2010; Gujarati & Porter, 2009).

Table 3. Testing of multicollinearity

Variables	VIF	1/VIF
EQ	1.002	0.998233
QLR	1.003	0.997494
Size	1.001	0.999248

4.2. Descriptive Analysis

The study uses the many descriptive tests (i.e. mean, standard deviations, maximum and minimum value) to describe the study data during its period. Table (4) presents that the maximum value for earnings quality

was 13.25, and the minimum value was -14.14. This means that there is gaps or deviations in the earnings quality values between industrial public shareholding companies during the study period (mean =0.861; standard deviations =2.891). However, the mean value of earnings quality during the study period is closer to 1, and this means that the level of earnings quality reflects a good level and the practices of earnings management are relatively limited in the targeted companies.

Besides, the maximum value for liquidity (QLR) was 21.71 and the minimum value was 0.02. In other words, the Jordanian industrial public shareholding companies differ in their liquidity retention, some of which maintain a high liquidity ratio, and some not because this is based on managerial decisions (mean =2.072; standard deviations =3.255). The mean value of the liquidity ratio during the study period reflects a good level for liquidity in the targeted companies and it also presents the company's ability to write-off its current liability. As well, the mean value of the shares prices of Jordanian industrial public shareholding companies during the study period was JD 2.345, and the maximum market value of the shares prices was JD 46.51, in the same period. The trend of shares prices of the targeted industrial companies in the current study indicates a relatively high level of prices during the last study periods compared to the first periods. This may be due to the crises accompanying the first periods of the study, such as the Arab Spring events that affected the performance of financial markets in Arab countries and the stock prices of listed companies.

Table 4. Descriptive analysis

Variables	Minimum	Maximum	Mean	Standard Deviations (SD)
EQ	-14.14	13.25	0.861	2.891
QLR (%)	0.02	21.71	2.072	3.255
SP	0.13	46.51	2.345	4.367

4.3. Regression Model Analysis

The study uses the linear regression test by using the correcting Regression with Driscoll-Kraay standard error method to test hypotheses. Table (5) shows the results of the first hypothesis "High earnings quality increases the market value of the shares prices". Results indicate that the model of the first hypothesis is a fit at a significant level of the F-statistic (26.812***). Furthermore, the independent variable (earnings quality) in the model explains 14.1 percent (Adjusted R²) of the variations in the market value of the shares prices of industrial public shareholding companies. The consistent term (_Cons) of this model is positively significant (Beta=38.2 percent) at p-value < 0.01. This means that high earnings quality positively increases the market value of the shares prices of Jordanian industrial public shareholding companies, and thus the first hypothesis is accepted.

Table 5. The regression result of the first hypothesis - model (fixed-effect)

Variables	$SPit = \alpha + \beta_1 EQ_{it} + \beta_2 size_{it} + (\varepsilon_i + v_{it})$... (3)		
	Coefficients	(t-static)	Sig.
Con-	-0.256	-0.584	0.560
Size	1.437	7.328	0.000***
Con-	-0.277	-0.622	0.535
EQ	0.023	0.277	0.782
Size	1.437	7.317	0.000***
Adjusted R Square	.141		
(F-value)	26.812***		

*, **, ***= p-value < .10, .05, .01

However, table (6) shows the results of the second hypothesis “High earnings quality improves the liquidity of Jordanian industrial public shareholding companies”. Results indicate that the model of the second hypothesis is not fit at a significant level of the F-statistic (0.786), and thus the second hypothesis is rejected. This means that there is no effect of earnings quality on improving the liquidity of Jordanian industrial public shareholding companies.

Table 6. The regression result of the second hypothesis - model (fixed-effect)

Variables	$QLRit = \alpha + \beta_1 EQ_{it} + \beta_2 size_{it} + (\varepsilon_i + v_{it})$... (4)		
	Coefficients	(t-static)	Sig.
Con-	2.469	7.519	0.000***
Size	-0.184	-1.246	0.214
Con-	2.461	7.401	0.000***
EQ	0.010	0.156	0.876
Size	-0.184	-1.245	0.214
Adjusted R Square	-.001		
(F-value)	0.786		

*, **, ***= p-value < .10, .05, .01

Moreover, the results of the third hypothesis “Liquidity affects in increase the market value of the shares prices” test summaries in the table (7). Results indicate that the model of the hypothesis is a fit at a significant level of the F-statistic (27.884***), and thus the second hypothesis is accepted. The independent variable (liquidity) in this model explains 13.6 percent (Adjusted R2) of the variations in the market value of the shares prices of industrial public shareholding companies. The consistent term (_Cons) of this model is positively significant (Beta=37.5 percent) at p-value < 0.01. Therefore, high liquidity affects an increase the market value of the shares prices of Jordanian industrial public shareholding companies.

Table 7. The regression result of the third hypothesis - model (fixed-effect)

Variables	$SP_{it} = \alpha + \beta_1 QLR_{it} + \beta_2 size_{it} + (\varepsilon_i + v_{it})$... (5)		
	Coefficients	(t-static)	Sig.
Con-	-0.091	-0.219	0.827
Size	1.264	6.955	0.000***
Con-	-0.496	-1.128	0.260
QLR	0.194	2.570	0.011**
Size	1.282	7.108	0.000***
Adjusted R Square	.136		
(F-value)	27.884***		

*, **, ***= p-value < .10, .05, .01

Table (8) shows the results of the fourth hypothesis “Liquidity mediates the relationship between earnings quality and the market value of the shares prices of Jordanian industrial public shareholding companies”. Results indicate that the model of the hypothesis is a fit at a significant level of the F-statistic (19.827***). The independent (earnings quality) and mediate (liquidity) variables in this model explain 15.2 percent (Adjusted R2) of the variations in the market value of the shares prices of industrial public shareholding companies. The consistent term (_Cons) of this model is positively significant (Beta=40 percent) at p-value < 0.01. As the reported evidence further suggests, the liquidity variable is not fully mediate in the study model. Thus, the fourth hypothesis is accepted.

Table 8. The regression result of the fourth hypothesis - model (fixed-effect)

Variables	$SP_{it} = \alpha + \beta_1 EQ_{it} + \beta_2 QLR_{it} + \beta_3 size_{it} + (\varepsilon_i + v_{it}) \dots (6)$		
	Coefficients	(t-static)	Sig.
Con-	-0.256	-0.584	0.560
Size	1.437	7.328	0.000***
Con-	-0.646	-1.369	0.172
EQ	0.015	0.184	0.854
QLR	0.177	2.269	0.024**
Size	1.449	7.425	0.000***
Adjusted R Square	.152		
(F-value)	19.827***		

*, **, ***= p-value < .10, .05, .01

5. Discussions

Our findings show that high earnings quality increases the market value of the shares prices of Jordanian industrial public shareholding companies. This finding matches with the findings of previous studies, such as Leuz, Nanda, and Wysocki (2003), Wysocki (2005), DeFond, Hung, and Trezevant, (2007), Dechow, Ge, and Schrand (2010), Larson and Resutok (2011), Latif, Bhatti, and Raheman (2017) and Antonio, Laela, and Darmawan (2019). They indicated that earnings quality has a positive effect on the market return and hence the market value of the shares prices. Larson and Resutok (2011) noted that earnings quality will work on the minimized magnitude of earnings forecast errors, and this is will support increasing the market value of the shares prices. High earnings quality will lead to high investor protection (Cahan, Emanuel, & Sun, 2009; Antonio, Laela, & Darmawan, 2019). Also, the information environment is less opaque when the earnings quality is higher because earnings quality helps the investor to capture useful accounting information (Cahan, Emanuel, & Sun, 2009). At the same time and in contrast, Wijesinghea and Kehelwalatennab (2017) showed that earnings quality has no significant effect on manufacturing companies' shares returns, and thereby it did not support their shares prices. This means that there are factors that may be related to the economic environment, which are affected or support this relationship.

Moreover, this study indicates that a high earnings quality does not improve the liquidity of Jordanian industrial public shareholding companies, but liquidity factor positively affects the market value of the shares prices of these companies. These findings match with the findings of Dechow and Dichev (2002), Qi, Subramanyam, and Zhang (2010) and Beupain and Joliet (2011). This is referred to that a high earnings quality, such as accrual quality may reduce information uncertainty and asymmetry (Dechow & Dichev, 2002; Qi, Subramanyam, & Zhang, 2010; Beupain & Joliet, 2011), and this is attributed to timing and matching problems linked to realized cash flows (Dechow, 1994). For example, accruals quality can be used to signal private information and enmeshment the ability of earnings to measure company performance without affecting the company liquidity (Dechow, 1994). Sayari and Omri (2017) suggested that upward

earnings management and earnings quality will result in higher liquidity costs because aggressive earnings management reflects low accounting information quality. Besides, on the one hand, managers in public shareholding companies may be able to opportunistically manipulate income, with earnings becoming a less reliable measure of firm performance, and this matches with the findings of Dechow (1994).

At the same time, good liquidity will enhance investor confidence in the company's ability to meet its future obligations and emergency conditions, and thereby increase the market value of the shares prices, and this is supported by the study of Asle, Valahzaghard, and Ahranjani (2013) and Talebnia and Arabi (2014). As well as and from this study, the liquidity factor mediates the relationship between earnings quality and the market value of the shares prices of targeted companies. This means that a high earnings quality with good liquidity will improve the market value of the shares prices because earnings quality and liquidity are important factors that motivate investors to purchase stocks or reduce their ownership (Sayari & Omri, 2017).

6. Conclusions

In conclusion, the market value of the shares prices of Jordanian industrial public shareholding companies affected by earnings quality. This means that high earnings quality positively affects the market value of the shares prices. With the role of liquidity as a mediator factor in the study framework, liquidity and earnings quality positively affect the market value of the shares prices, but it is not a full mediator. This is because there is no relationship between earnings quality and liquidity in this study, while there is a positive relationship between earnings quality and liquidity.

Finally, we can note from the previous findings of this study that, the level of Jordanian market (related to Jordanian industrial public shareholding companies) controlling earnings quality and liquidity is good. This is because earnings quality with liquidity factor explains 15.2 percent of the market value of the shares prices in this study. Then, the study recommended continuing to investigate the relationship between organizational factors, earnings management, and earnings quality, which are maybe a positive effect on the market value of the shares prices.

7. References

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