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*RESEARCH ARTICLE – FINANCIAL MANAGEMENT*

# The Impact of Liquidity Ratios on Market Value and Market Value Added, "A Case Study of The Bank of Palestine- 2017-2023"

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**Abstract**

The study investigated the impact of liquidity ratios on the market value and market value added of the Bank of Palestine, which is listed on the Palestine Exchange. The study was conducted from 2017 to 2023 using the descriptive analytical approach and employing the multiple regression model to analyze the data and test the hypotheses. The study concluded with significant findings, indicating that liquidity ratios have no statistically significant impact on market value. Conversely, liquidity ratios had a statistically significant impact on the market value added by the Bank of Palestine.



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**Keywords**: liquidity ratios, market value, market value added, Bank of Palestine.

## 1. Introduction

In the Palestinian banking sector, financing is considered one of the most critical objectives banks pursue to enhance liquidity. This objective is achieved through daily transactions, such as receiving deposits, granting loans, and investments in the Palestine Exchange. By seeking liquidity, banking and financial institutions constantly strive to attain the ultimate goal of maximizing banks' market value, which in turn facilitates their growth and expansion through enhanced solvency and financial capacity.

Liquidity ratios are among the financial ratios used in financial analysis to evaluate the performance and financial and cash position of banking and financial institutions. They always provide parties involved in the analysis process with a means of protecting institutions from falling into real financial hardship by understanding their financial situation and ability to meet their short-term obligations when due (Alwan, 2015, p. 30).

"Market value and market value added are among the indicators used by researchers and financial analysts to assess the ability of monetary and banking institutions to maximize shareholder value. The goal of maximizing market value has always been linked to financial and banking institutions' liquidity and profitability objectives. Indeed, contradiction and ambiguity are the defining characteristics of the network of relationships linking liquidity variables to market value and market value-added indicators, which cannot be isolated from each other. Moreover, financial decision-makers are divided on the relationship between liquidity ratios and market value, as well as the relationship between these measures and maximizing shareholder value.

The banking sector is one of the most important and influential sectors in Palestine's financial market, especially if its securities are traded in high volumes. The Bank of Palestine is one of the banks operating in the Palestinian banking sector, which aims to achieve meaningful investment returns for shareholders and maximize the bank's market value in the Palestine Stock Exchange. This requires knowing the effect of liquidity ratios on the market value and market value added of the Bank of Palestine. Therefore, this study aims to link the variables and determine their implications by analyzing and evaluating indicators related to the Bank of Palestine. The study question:

Do liquidity ratios affect the market value and market value added of the Bank of Palestine traded on the Palestine Stock Exchange?

To answer this question, the researcher assumes the following two hypotheses:

H1: There is a statistically significant effect at a significance level $\alpha \leq 0.05$ of liquidity ratios on the market value of the Bank of Palestine traded on the Palestine Stock Exchange.

H2: There is a statistically significant effect at a significance level $\alpha \leq 0.05$ of liquidity ratios on the market value added of the Bank of Palestine traded on the Palestine Stock Exchange.

### *1.1. The importance of studying*

The significance of this study lies in the utilization of liquidity ratios at the Bank of Palestine through an applied analytical study that aims to determine the impact on the market value and market value added of the Bank of Palestine listed on the Palestine Exchange. It contributes to strengthening the knowledge and benefits of using financial statements and benefiting from their implications and the implications of liquidity ratios to predict the bank's ability to increase shareholder value, which leads to the development of the bank's performance and, consequently, achieving the desired benefit from it to achieve its sustainability and support the continuity of its existence in a way that serves the bank's objectives and the interests of Palestinian society and the economy.

### *1.2. Study Methodology*

#### 1.2.1. Study Population and Sample

"The study population is the Bank of Palestine, one of the most important banks listed on the Palestine Stock Exchange, with a market value of USD 415,219,201 at the end of 2023, equivalent to 9% of the total market value of the Palestine Stock Exchange. The financial data for the study was selected for a specific period from 2017 to 2023.

#### 1.2.2. Data Collection Sources

The researcher relied on previous Turkish, Arabic, and international studies, as well as the annual financial reports issued by the Bank of Palestine, the subject of the study, published on the website of the Palestine Exchange, to collect data.

#### 1.2.3. Study Approach

This study employed a descriptive-analytical approach by describing the study variables and analyzing the financial statements of the Bank of Palestine listed on the Palestine Stock Exchange. Standard statistical tests were also used to analyze and test the hypotheses using the statistical program (SPSS) through multiple regression analysis to determine the effect of liquidity ratios on the market value and market value added to the Bank of Palestine.

### *1.3. Study variables*

#### 1.3.1. Dependent variables

This study employed two dependent variables for hypothesis testing:

Market Value: The market value variable was calculated by multiplying the total number of outstanding shares of the Bank of Palestine by the market price per share at closing at the end of each year of the periods under study.

Market value added: The market value variable was calculated by multiplying the total number of outstanding shares of the Bank of Palestine by the closing stock price at the end of each year of the study period.

#### 1.3.2. Independent Variables

This study employed three independent variables related to liquidity ratios (current ratio (working capital ratio), quick ratio, and cash ratio) to test the hypotheses, which measure the Bank of Palestine's ability to meet its short-term obligations.

### *1.4. Previous studies*

Effendy and Surjandar's (2022) study aimed to analyze the effect of market value added (MVA), liquidity and solvency ratios, and dividend policy on stock returns with company size as a moderating variable (study on LQ45 companies in the Indonesia Stock Exchange) for the periods from 2015 to 2019. One of the most important results of the study was that the liquidity ratio and dividend policy significantly impact stock returns .At the same time, the market value added, and solvency ratios have no effect. Company size can moderate the liquidity and dividend policy ratio to stock returns, but it cannot moderate the market value added and solvency ratio to stock returns [1].

Al-Zahrani's (2022) study aimed to identify the impact of liquidity on the market value of Saudi joint-stock companies in the Kingdom of Saudi Arabia. The study used the descriptive analytical approach, and the research population consisted of all sectors of the Saudi market. A sample of industrial companies affiliated with the capital goods and long-term goods sectors numbered 18, was selected. The study concluded that the trading ratio has a statistically significant negative effect on the company's market value. This is due to the amount of assets and their ability to cover liabilities. It was also shown that the quick liquidity ratio has a statistically significant positive effect on the market value, as the greater the quick liquidity ratio, the greater the company's market value [2].

Djani, Messaitfa (2022), This study aimed to demonstrate the impact of liquidity risks on the market value of commercial bank shares listed in the Saudi stock market. The study was conducted on 10 commercial banks from 2010 to 2020, using the cross-sectional data model (Panel). The study found an inverse relationship between liquidity risk and the market value of bank shares. The subject of the study suggested that it is necessary to maintain sufficient liquidity to face withdrawals to avoid loss of confidence on the part of dealers, and this may reflect negatively on the stock's market value and lead to a decline in its value. Thus, investors are reluctant to invest in these banks [3].

Stu's (2016) study aimed to attempt to measure the effect of "liquidity ratios" and "debt ratios" on the "market value" of companies listed on the Qatar Stock Exchange, expressed as "market share price," and then determine which of the ratios highest impact. The study sample included a group of companies listed on the Qatar Stock Exchange distributed over various sectors, except the insurance and banking sectors, amounting to 20 institutions over six years (2009 to 2014), using 10 ratios of liquidity ratios and debt ratios, according to the analysis of the "Panel model". The study concluded that there is one liquidity ratio (permanent funds to total circulating assets) that impacts the stock's market price, and thus there is an impact on the market value. All debt ratios (total equity debt, long-term debt to equity, treasury flow to total debt) also affected the market value [4].

Mriziq's (2014) study aimed to measure the impact of profitability and liquidity ratios on the market value of institutions listed on the Qatar Stock Exchange. The study relied on a sample of 18 institutions over four years (2009-2012) to achieve the goal. The researcher used factor analysis for principal components (CAP) and simple linear regression analysis in his study. This study found that five profitability ratios (earnings per share, return on investment, return on equity, asset turnover rate, and treasury flow/total assets) are more influential than liquidity ratios on the market value of the institution [5].

Korkmaz and Dilmash (2018), the study aimed to determine whether there is a relationship between the market value of securities of banks and insurance companies and factors such as profitability, capital structure, and growth rate to study the effects of these factors on the market value. In this regard, the researcher used regression analysis using quarterly data for 2008-2015 on a sample of 12 banks and five insurance companies traded on the Istanbul Stock Exchange. In this study, market value/book value and Tobin's Q ratio were considered dependent variables. As independent variables, liquidity, return on equity, leverage ratio, size, asset growth, and intangible asset ratios were used. The results of regression analysis found that the financial leverage ratio in insurance companies positively affected the ratio of market value to book value and the ratio of return on equity negatively. In addition, the variables of financial leverage and size negatively affected the ratio of market value to book value, while the return on equity and intangible assets affected it positively [6].

Bogdan, Barisha, and Ivanovic's (2012) study aimed to conduct an experimental test and find out the variables that play a decisive role in the decision-making process of investing in stocks. This study confirmed that liquidity in the Croatian stock market is low. In this scientific paper, the researchers intend to explore the impact of different liquidity variables on the liquidity ratio. The researchers used secondary and primary data from the Croatian Stock Market in this study. Looking at raw data, this paper used daily data from the Zagreb Stock Exchange for 196 stocks traded during one year to find the key variables that make certain stocks more attractive to investors. This scientific paper used multiple regression and correlation matrix to show the dependence between liquidity variables. This scientific paper's main results indicated that the company's size is measured by market value, the number of shares issued, and the realized size, which affects the liquidity ratio. There is a strong correlation coefficient between the liquidity variables and the liquidity ratio, and the results were statistically significant [7].

Fang et al. (2008), This scientific paper investigated the relationship between stock liquidity and company performance. This study found that companies with liquid inventory had better consistent performance as measured by the market-to-book ratio. This result holds even when you include industry or firm fixed effects, control for idiosyncratic risk, control for internal liquidity using instrumental variables, or use alternative liquidity measures. To determine the causal effect of liquidity on firm performance, researchers study an exogenous shock to liquidity (the decimal system of stock trading) and document that increased liquidity around the decimal system led to improved firm performance. They then investigated the reasons for the beneficial effect of liquidity. They found support for liquidity-enhancing performance by increasing the information content of market prices and enhancing the incentive effects of performance-based compensation contracts. The researchers found no evidence that liquidity promotes block owner intervention [8].

Hardin et al. (2009), this study aims to estimate the market value of liquid REITs, examining both cash holdings and unused lines of credit. The most important finding of this study was that the marginal value of an additional $1 in cash is valued at a significant premium. The company's value is positively related to both forms of liquidity; However, unused lines of credit are much less valuable than cash, as theory predicts. The economically large market values of liquid REITs are likely a result of unique industry characteristics, including capital constraints that entail increased transparency and reduced agency problems associated with excess free cash flow. The results also show that the market value of cash decreased significantly after adjusting for the remaining credit line capacity, which is consistent with the market perception that cash and credit lines are substitutes. This is one of the first investigations into cash value after the requirement to reach a credit line. Additional results indicate that liquid market value is greater during periods when credit markets are constrained, demonstrating the importance of maintaining financial flexibility for REITs [9].

Aras and Fortuna (2017) this study aimed to analyze the impact of investment and financing decisions on market value and to reveal the direction in which relevant decisions affect market value. The study included 274 publicly traded real sector companies between 2010 and 2014 and was examined using a panel data analysis method. The results of this study showed that the turnover rate of tangible assets and the reinvestment rate, which are two variables that explain investment decisions at the level of productivity, and the variables of the asset profitability ratio, which explain investment decisions at the level of profitability, have a positive impact on the market value of companies. It has been shown that debt and asset turnover rates, which explain investment decisions at the efficiency level, negatively affect market value. In contrast, receivables and stock turnover rates do not affect market value. In addition, it was found that capital structure and liquidity level, which account for financing decisions, did not affect the market value of companies in the relevant period [10].

Previous studies have covered many topics, some related to analyzing the impact of market value added (MVA), liquidity and solvency ratios, and dividend distribution policy on stock returns with the company's size. Some of them also referred to the impact of liquidity on market value, in addition to analyzing the impact of investment and financing decisions on market value and revealing the direction in which relevant decisions affect market value, then the impact of liquidity ratios on companies' profitability and market share value, in addition to estimating the market value of investment funds' liquidity. Real estate, examining both cash holdings and unused lines of credit. In addition to other topics that dealt with liquidity ratios, company performance, and their relationship to stock returns.

## 2. Literature Review

### *2.1. Liquidity*

Bank liquidity refers to the ability of banks to meet their expected and unexpected short-term obligations as they become due through normal cash flows generated by converting maturing short-term deposits into long-term loans, collecting their receivables, and obtaining cash from other sources such as loans [11]. Therefore, it indicates the financial capacity, in the sense of financial solvency of banks, to easily pay their obligations on their due dates to avoid exposure to liquidity risks.

Liquidity is a concept that is specific to banks. It can be said that it is the conversion of deposits as liquid assets into cash quickly and without losses by granting loans within the normal operations of banks, which leads to the confidence of lenders in building their credit reputation.

2.1.1. Liquidity concept

Thus, any assets held by banks are divided into liquid (current) assets, which are assets that can be quickly converted into cash, such as (cash and balances with the central bank, deposits and investments with banks and banking institutions, financial assets at fair value, direct credit facilities and financing...etc. ). Non-liquid assets (fixed assets) do not turn into cash in the short term due to their use (property, machinery and equipment, projects under implementation, intangible assets, and real estate investments).

In this context, liquidity can be viewed through two basic concepts:

The quantitative concept of liquidity indicates the amount of assets financial institutions hold that can be converted into cash liquidity during the banks' financial cycle. Based on this concept, liquidity is evaluated by comparing the amount of assets converted into cash during the financial period with the cash needs for that period. The flow concept of liquidity: The concept of liquidity flow refers to the amount of assets that can be converted into cash liquidity, in addition to what can be obtained from financial markets and customers' payment of their obligations to banks and financial institutions [11].

The concept of flow is considered more comprehensive and general than the quantitative concept, as it is not limited to the number of assets that can be converted into cash during a specific period but rather adds everything that can be obtained from other sources of funds.

From the above, it becomes clear that liquidity in its concept revolves around a main point, which is providing funds to meet obligations and emergency circumstances to protect financial and banking institutions from liquidity risks or loss that shareholders may be exposed to through a decline in the market value of shares, and thus not resorting to liquidating some of their non-current assets. Therefore, appropriate liquidity represents an element of protection and security for illiquid funds.

2.1.2. Liquidity sources

Internal (internal) liquidity sources: means that financial institutions provide the necessary cash liquidity from within the institution without relying on other parties and include primary cash reserves (cash in the treasury - cash deposits in local banks - checks under collection - receivables from other financial institutions) Secondary cash reserves, where secondary precautions include financial papers and commercial papers that can be converted into liquid cash when needed and these contents in the field of sugar are achieved multiple benefits, including contributing to the support of first content Achieving a percentage of the profits of financial institutions [12].

Non-internal (external) sources of liquidity: Financial institutions that cannot achieve self-sufficiency from their internal sources resort to cash sources outside the institution. External liquidity sources include long-term and short-term loans [13]. It is also a source of liquidity for financial and banking institutions when they have an urgent and necessary need for cash liquidity to face the market risks to which they may be exposed. They work to increase capital by offering new shares, or they resort to issuing bonds.

2.1.3. Liquidity ratios

Liquidity ratios measure the ability of financial and banking institutions to fulfill their short-term obligations on their due dates without any delay so as not to be exposed to risk. The most important liquidity ratios or tests used are:

Current ratio: This ratio measures banks' ability to cover their short-term obligations with assets that can be converted into liquid cash. The more current assets exceed current liabilities, the more evidence there is of the ability of financial and banking institutions to pay. The following equation can measure the current ratio:

Current ratio = total current assets / total short-term liabilities (1)

[13], Indicated that the ratio (2:1) is considered a typical standard for the trading ratio, so if the ratio is more than double, this is evidence of high liquidity in financial and banking institutions, but if it is less than double, this is evidence. However, banking institutions will face difficulties in paying their obligations. The reason for adopting this standard is that when converted into cash, current assets are not only directed to paying current liabilities but also to paying operational expenses for the continuation of financial and banking institutions in their production and service cycle.

Quick Liquidity Ratio: The difference between the trading ratio and the quick liquidity ratio is that the quick liquidity ratio ignores the inventory component of the current assets as it is the furthest from achieving cash liquidity during the period. This ratio can be found by dividing current assets minus inventory by short-term liabilities. A typical criterion of 1:1 can usually be determined for the liquidity balance of financial and banking institutions.

Cash ratio: The cash ratio measures the company's ability to pay its current liabilities when you calculate the ratio, so we only consider marketable securities and current cash from current assets [14].

*2.2. Market value*

Market value represents the price at which a share is traded based on supply and demand in financial markets. It can be higher or lower than the nominal or book value of the paid-up capital of banking institutions.

Alternatively, market value can be expressed as the price that an asset would fetch in the market based on the price buyers are willing to pay and sellers are willing to accept. It may also refer to the market value of a public company, calculated by multiplying the number of outstanding shares by the current share price. Market value serves as a valuable economic indicator that investors and shareholders utilize to understand the efficiency and effectiveness of financial institutions and banks in increasing the market value of their shares. Consequently, it can assist investors

in making informed investment decisions. Market value is determined by the valuations or multiples that investors assign to companies, such as price-to-sales ratio, price-to-earnings ratio, enterprise value-to-EBITDA, etc. Higher valuations lead to a higher market value [15].

The market value can be measured according to the closing price, the market situation under the influence of supply and demand factors, and expectations based on the institution's current performance. The investor obtains the market value of his shares upon sale in the secondary market, which may be greater or less than the nominal or book value. The market value is calculated with the following equation [3]:

Market value = number of shares traded * share value (closing price) (2)

Market value can fluctuate significantly over periods and is significantly affected by the business cycle. Market values fall during bear markets accompanying recessions and rise during bull markets during economic expansions. Market value also depends on many other factors, such as the sector in which the organization operates, its profitability, debt burden, and the broader market environment [15].

*2.3. Market value added*

Market value added is one of the most common measures used to determine the value of financial institutions traded in financial markets. On the other hand, market value added is simply the difference between the current total market value of the company and the capital contributed by investors (including shareholders and bondholders). It is typically used for larger, publicly traded financial institutions [16].

[1] also point out that market value contribution is the difference between the market value of a company's shares and the book value listed on the balance sheet, which is calculated by multiplying the stock price by the incremental number of issued shares. The stock price used is the company's stock price in the previous period. The following equation expresses it:

Market Value Added = (the number of outstanding shares *share price)–Equity (3)

Market value added (MVA) can be defined as a financial metric that measures the value created by a financial institution for its shareholders. As such, it is employed by investors and analysts to evaluate the performance and future growth potential of the institution's business operations. Accordingly, MVA is determined by two fundamental elements: the current market value and the invested capital of the financial institution or bank. The mathematical formula for MVA indicates that when the MVA of financial institutions or banks declines, the value of the invested capital is high.

When market value increases, indicating that the performance of financial institutions is improving over time, they are likely to retain their earnings. This will lead to an improvement in the book value of their shares, and investors are more likely to bid up the prices of those shares in anticipation of future profits, increasing the market value of financial and banking institutions. When this occurs, the difference between the market value of financial institutions and the capital contributed by investors (market value added) represents the premium that the market assigns to the institution due to its past operational successes [16].

## 3. The practical aspect

This study aims to investigate the impact of liquidity ratios on market value and market value added. To determine this impact, the researcher employed standard statistical tests using the statistical program (SPSS) through multiple regression analysis. In this regard, the analysis included the Bank of Palestine from 2017 to 2023. Bank of Palestine is one of the most important banks listed on the Palestine Stock Exchange, with a market value of $415,219,201 at the end of 2023, representing 9% of the total market value.

The market values of the Bank of Palestine for the study period were extracted as dependent variables by collecting the financial statements of the Bank of Palestine from the Palestine Stock Exchange. As for the liquidity ratios as independent variables, they were calculated based on the financial statements of the Bank of Palestine that were disclosed in the official gazette of the bank under study.

*3.1. Descriptive statistics for study variables*

Financial data related to the study variables were entered, which are (current ratio, quick liquidity ratio, cash ratio, market value measure, and market value added). This is to extract the arithmetic mean, median, and standard deviation from 2017 to 2023.

Table 1. Some statistical measures for the study variables during the period (2017-2023)

| Variable | Minimum value | Maximized value | Arithmetic mean | standard deviation |
|---|---|---|---|---|
| Current ratio | 1.04 | 1.14 | 1.11 | **0.03** |
| Quick ratio | 1.03 | 1.13 | 1.09 | **0.03** |
| Cash ratio | 0.98 | 1.07 | 1.04 | **0.03** |
| Market value | 343.332.000 | 530.000.000.0 | 433.802.378.86 | **56.888.340,87** |
| Market value added | -421.377.605 | -32.619.600 | -219.486.093 | **153.614.207,58** |

The values of the variables appear in the table as follows: No. (1), where the results shown indicate the following:

The independent variable (current ratio) ranges between 1.04 and 1.14, with an arithmetic mean of 1.11 and a standard deviation of 0.03. It is clear from the above that the trading ratio of the Bank of Palestine has reached an average of (1.11:1), and this is less than the usual ratio and standard due to the small amount of direct credit facilities and financing and the presence of untapped liquid assets, part of which has been exploited in investing in fixed assets as well. The bank's financial statements show the presence of fixed projects under implementation, which indicates the possibility that the Bank of Palestine will face financial difficulties in paying its obligations.

The independent variable (quick liquidity ratio) ranges between 1.03 and 1.13, with a mean of 1.09 and a standard deviation of 0.03. It is clear from the above that the quick liquidity ratio of the Bank of Palestine has reached an average of (1.09:1), and this is higher than the typical ratio and standard known, which indicates the presence of untapped liquid assets, which affects the bank's profitable capacity.

The independent variable (cash ratio) ranges between 0.98 and 1.07, with a mean of 1.04 and a standard deviation of 0.03. It is clear from the above that the cash ratio of the Bank of Palestine reached (1:1.04), indicating that the cash balances in the treasury can pay its short-term obligations without recourse to any element of other current assets.

The dependent variable (market value) ranges between 343.332.000,00 and 530.000.000,00 with an arithmetic mean of 433.802.378,86 and a standard deviation of 56.888.340,87. It is clear from the above that the Bank of Palestine's market value declined during the period under study. This was attributed to political and economic instability in Palestine, supply and demand factors, and other factors related to market risks.

The dependent variable (market value added) ranges between -421.377.605,00 and -32.619.600,00 with an arithmetic mean of -219.486.093,43 and a standard deviation of 153.614.207,58. It is clear from the above that the added market value of the Bank of Palestine decreased during the period under study, which indicates an increase in invested capital.

### *3.2. The relationship between the study variables*

The financial data related to the study variables (current ratio, quick liquidity ratio, cash ratio, market value measure, and market value added) were entered into the statistical program (SPSS). This is to study the relationship between the study variables using the correlation coefficient for the period from 2017 to 2023. The results are shown in Table (2).

Table 2. Correlation coefficient between the study variables

| | | **Market value** | **Market value added** |
|---|---|---|---|
| **Current ratio** | Correlation coefficient | 0.194 | -0.186 |
| | Sig. | 0.339 | 0.345 |
| **Quick ratio** | Correlation coefficient | 0.096 | -0.306 |
| | Sig. | 0.419 | 0.252 |
| **Cash ratio** | Correlation coefficient | -0.169 | -0.654 |
| | Sig. | 0.359 | 0.056 |

Table No. (2) using the correlation coefficient between the study variables shows the following results:

The relationship between market value and (current ratio, quick ratio, and cash ratio):

It was found that the probability value (Sig.) is greater than the significance level of 0.05, indicating a statistically significant relationship between the market value and (the current ratio, the quick liquidity ratio, and the cash ratio).

The relationship between the market value added and (current ratio, quick ratio, and cash ratio):

It was found that the probability value (Sig.) is greater than the significance level of 0.05, indicating a statistically significant relationship between the market value added and (the current ratio, the quick liquidity ratio, and the cash ratio).

### *3.3. Testing the study hypotheses*

The first main hypothesis: There is a statistically significant effect at a significance level $\alpha \leq 0.05$ for liquidity ratios on market value. Table No. (3) shows the use of multiple linear regression to test this hypothesis, as the results shown indicate the following:

Correlation coefficient = 0.749, and adjusted coefficient of determination = 0.123, which means that 12.3% of the change in market value was explained by the independent variables combined, and the remaining percentage may be due to other factors affecting market value that are not mentioned.

The calculated F-test value was 1.281, and the probability value (Sig) was 0.422, which means there is no statistically significant effect of the independent variables combined on the market value.

Table 3. Multiple regression analysis - first main hypothesis

| Independent variables | Regression coefficient | T-test value | Probability value Sig |
|---|---|---|---|
| **Fixed amount** | 628,721,813.2 | 0.768 | 0.498 |
| **Current ratio** | 8,237,994,038.8 | 1.265 | 0.295 |
| **Quick ratio** | -7,927,615,760.5 | -0.966 | 0.405 |
| **Cash ratio** | -617,827,196.3 | -0.307 | 0.779 |
| **Correlation coefficient = 0.749** | | Adjusted coefficient of determination = 0.123 | |
| **Test value F = 1.281** | | P value = 0.422 | |

Based on the foregoing, it is evident that none of the independent variables (current ratio, quick ratio, cash ratio) impact market value. Therefore, the hypothesis of a statistically significant effect between the liquidity ratios collectively and the market value of the Bank of Palestine listed on the Palestine Stock Exchange is rejected. This finding contradicts the study by Al-Zahrani , whose study indicated a statistically significant negative effect of the current ratio on the market value of the companies under study while also showing a statistically significant positive effect of the quick ratio on market value [2]. Additionally, the findings of this study differ from those of Stu (2016), who concluded that only one liquidity ratio impacts the market price per share and, consequently, market value. However, the findings of this study align with those of Mareziq (2014), whose study indicated that profitability ratios have a greater impact on market value than liquidity ratios.

The second main hypothesis is that there is a statistically significant effect at a significance level of $\alpha \leq 0.05$ for liquidity ratios on market value added.

Table No. (4) shows the use of multiple linear regression to test this hypothesis, as the results shown indicate the following:

The correlation coefficient = 0.994, and the adjusted coefficient of determination = 0.978. This means that 97.8% of the change in market value added was explained by the independent variables combined, and the remaining percentage may be due to other factors affecting market value added that are not mentioned.

The calculated F-test value was 90.025, and the probability value was equal to 0.002, which means that there was a statistically significant effect of the independent variables combined on the market value added (MVA).

Table 4. Multiple regression analysis - the second main hypothesis

| Independent variables | Regression coefficient | T-test value | Probability value Sig |
|---|---|---|---|
| **Fixed amount** | 2,514,661,765.9 | 7.188 | 0.006 |
| **Current ratio** | 19,573,192,552.3 | 7.030 | 0.006 |
| **Quick ratio** | -17,329,480,382.7 | -4.941 | 0.016 |
| **Cash ratio** | -5,248,286,601.0 | -6.094 | 0.009 |
| **Correlation coefficient = 0.994** | | Adjusted coefficient of determination = 0.978 | |
| **Test value F = 90.025** | | P value = 0.002 | |

Based on the foregoing, it is evident that all independent variables (current ratio, quick ratio, cash ratio) impact market value added. Consequently, we accept the hypothesis that a statistically significant relationship exists between the liquidity ratios and the market value added of the Bank of Palestine listed on the Palestine Stock Exchange. This finding aligns with the research conducted by [1], whose study indicated that liquidity ratio and dividend policy significantly influence stock returns. However, their study did not find an effect on market value added and solvency ratios.

## 4. Conclusions

Through statistical analysis, hypothesis testing, and data analysis, the study reached several results, the most important of which are:

There is no effect of liquidity ratios on the market value of the Bank of Palestine traded on the Palestine Stock Exchange. This result indicates that the decrease in the market value ranging between (2.65-1.65) USD per Bank of Palestine share from 2017 to 2023 may be due to other variables. The researcher did not address it in his study, in addition to other variables related to demand and supply, as well as unstable economic and political variables in the financial markets in Palestine.

Regarding the fluctuations in liquidity ratios between (1:1.50) related to measuring the Bank of Palestine's ability to meet its short-term obligations, we note, according to the audited financial statements, that there are outstanding amounts for the direct facilities and financing items that have been outstanding for about six years, in addition to the existence of a proportion of customer deposits that are not utilized in the working capital turnover.

"The existence of a significant effect of liquidity ratios on the market value added of Bank of Palestine listed on the Palestine Stock Exchange. This result indicates that the decline in the Bank of Palestine's market value added during the period from 2017 to 2023 may have been influenced by the financing decisions made by the Bank of Palestine, as measured by its liquidity ratios, which led to a decrease in the market value added indicator.

Furthermore, this result suggests that a decline in market value added implies that the Bank of Palestine's financial performance is unstable over time. In such a scenario, the bank will retain negative earnings, impacting the book value of its shares, leading to a decrease in the market value of the Bank of Palestine listed on the Palestine Stock Exchange. When this occurs, the difference between the market value of the financial institution and the capital contributed by investors (market value added) represents the low price that the market assigns to the institution due to the Bank of Palestine's unstable financial performance.

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