

# The Role of Financial Ratios to Enhancing of Information Quality for Financial Statement in Industrial Companies: Evidence from Jordan

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**Abstract:** The purpose of this research was to determine how liquidity ratios such as current ratio and quick ratio, indebtedness ratios including debt ratio and debt-to-equity ratio, and profitability ratios such as return on assets and return on equity, can enhance the accuracy of financial statement information. This was achieved by analyzing the average closing prices of shares for industrial firms that listed on the Amman Stock Exchange (ASE), to attain the aims of the study; an analytical descriptive approach was followed. The researcher gathered data for the study variables by reviewing the annual financial reports of (33) industrial firms during the financial period (2019-2020). The results indicated that the current ratio, quick ratio, debt ratio, debt-to-equity ratio, return on assets, and return on equity all had a positive impact, on enhancing the quality of financial statement information in industrial firms listed in ASE.

The study suggests that it is essential to conduct continuous training programs for financial managers and accountants working in industrial firms listed in ASE, in order to enhance their skills and knowledge and keep them updated with the latest developments in financial ratio analysis.

**Keywords:** Financial Analysis, Quality of Financial Statement Information, Industrial firms.

## 1. INTRODUCTION

Financial ratios are emphasized as important tools for evaluating the financial situation of firms and making informed financial decisions. Financial ratios play a crucial role in the financial analysis of companies. Providing useful information about the financial aspects of firms and revealing important aspects that may not be disclosed in normal financial statements or other statistical methods. Therefore, the quality of information contained within financial reports holds significant significance for various stakeholders, including investors, creditors, financial analysts, customers, and suppliers. These users heavily rely on financial reports to make informed decisions and assess a company's financial performance and stability. After the global financial crisis, this issue became more important, as the crisis led to the collapse of some American companies. Therefore, financial analysis and ratios are crucial tools for making the right financial decisions. (Abu Al-Joud, 2019).

The quality of the information offered by financial reports is crucial for influencing the choices of users including investors, creditors, financial analysts, consumers, and suppliers, according to research published in the accounting literature. For many parties that rely on financial reports to make economic choices, the quality of the information contained in those reports has been and is a crucial consideration. Earlier

this decade, many researchers have considered the quality of information provided by financial reports to be a crucial issue, especially in light of the collapse of some American firms and the recent global financial crisis (Sujana et al, 2020).

Jordanian industrial firms have undergone radical transformations in recent years, and many difficulties and obstacles have emerged that they face. The heightened attention to financial reporting quality in recent years has resulted in an increased focus on the accuracy and reliability of information presented in financial statements. This has important implications for a wide range of stakeholders, including lenders, suppliers, employees, the local community, and both current and prospective investors. A decrease in the quality level of financial statement information for these firms leads to the delivery of incorrect and unclear information to shareholders, investors, and the local community, affecting the safety of their decisions and negatively impacting most important financial indicators in financial statements data, consequently, the performance of the company is not accurately represented.

The researcher identified the problem of the study through his review of many previous studies, including the study by Bajaber and Abdul Rahman (2020), the study by Tran et al. (2020), and the study by Abu Aljoud (2019), which pointed to the need for more studies to investigate the relationship between financial ratios, the quality of financial statement information, and their quality. Therefore, the problem of the

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study lies in attempting to answer the following main question:

Can the utilization of financial ratios effect the improvement of information quality in the financial statements of industrial firms listed on ASE?

The aforementioned statement leads to the emergence of several sub-questions:

Does the use of liquidity ratios (turnover ratios, quick liquidity ratios) have an effect on enhancing of information for financial statements of industrial firms on ASE?

Does the use of debt ratios (including debt ratio and debt-to-equity ratio) have an effect on enhancing the quality of financial statement information for industrial firms on ASE?

Does the use of profitability ratios (return on assets and return on equity) have an effect on enhancing the quality of financial statement information for industrial firms on ASE?

The contribution of this study stands out from previous studies is distinctive compared to earlier studies in terms of its topic, sample size, variables examined, and the timeframe during which the study was carried out. It was applied to a sector of high importance to society and the national economy, namely industrial firms listed on the ASE. The study also examined the role of liquidity ratios, debt ratios, and profitability ratios in improving the quality of information in financial statements. Additionally, this study is considered the first of its kind in the field, as no previous study was found that dealt with the variables studied together during the time period of this study. Therefore, the current study fills a gap in the lack of studies in this field and can serve as a foundation for future studies in the same field.

## **2. THEORETICAL BACKGROUND, RELATED LITERATURES, AND HYPOTHESES DEVELOPMENT**

### **2.1. Financial Analysis**

Financial analysis is a process that aims to diagnose the strengths and weaknesses of a company in order to strengthen the former and identify possible solutions for the latter. It also involves highlighting the capacity of the company's key functions such as production, finance, and administration, while providing stakeholders with more information along with financial statements. This contributes to informed decision-making for users of financial information and derived indicators, as well as providing indicators for guiding the future planning of the company. Financial analysis also provides an effective monitoring tool through a careful reading of financial statements. (Subalakshmi & Manikandan, 2018).

The importance of financial analysis: Financial analysis is the crucial step that lays the foundation for the financial manager to perform the financial planning and financial control functions in the company. Through financial analysis, errors and weaknesses can be identified, and plans can be made to address them. Financial analysis also monitors the degree of compliance between actual and planned numbers. Financial analysts have a wide range of tools at their disposal, allowing them to choose the most appropriate ones for the purpose of financial analysis. These tools help to judge a particular phenomenon, and when reinforced with sufficient

experience, scientific qualifications, and extensive practical work, they become a tool for making the right and objective judgment on this phenomenon. This paves the way for making the appropriate decision. The reality is that financial analysis tools alone cannot make a judgment on a particular phenomenon unless they are reinforced with experience, scientific qualifications, and extensive practical work. (Haralaya, 2021).

#### **2.1.1. Liquidity Ratios**

Liquidity ratios are an essential tool in financial reporting, as they help assess a company's ability to meet its short-term financial obligations. Here is two of the most important liquidity ratios used in financial reporting:

The Current Ratio, which is a liquidity ratio, assesses a company's capacity to settle its short-term obligations using its current assets. It is determined by dividing current assets by current liabilities. An ideal current ratio is typically considered to be 2:1 or higher, indicating that a company possesses sufficient current assets to cover its current liabilities (Al-Shattarat, H., 2022).

The Quick Ratio, also referred to as the Acid-Test Ratio, is a liquidity ratio utilized to evaluate a company's capability to settle its short-term obligations using its most liquid assets, excluding inventory. It is computed by dividing the sum of cash, accounts receivable, and short-term investments by current liabilities. An ideal quick ratio is generally regarded as 1:1 or higher, indicating that a company can meet its short-term liabilities without relying on the sales of inventory (Al-Shattarat, H., 2022).

#### **2.1.2. Debt Ratio**

The debt ratio is a financial metric that assesses the proportion of a company's total debt in relation to its total assets. It provides insight into the degree to which a company's financing is reliant on debt compared to equity. A higher debt ratio means that a company is relying more heavily on debt to finance its operations, which can increase financial risk. On the other hand, a lower debt ratio indicates that a company is relying more on equity financing, which can provide more stability. By analyzing a company's debt ratio, investors and analysts can gain insights into its financial health and risk profile. (Budiharjo, 2019)

The debt to equity ratio is a financial metric used to compare the total debt of a company to its shareholders' equity. It provides insight into the proportion of a company's financing that is comprised of debt versus equity. A high debt to equity ratio indicates a higher reliance on borrowing for financing, which can pose greater financial risk due to increased debt obligations. Conversely, a low debt to equity ratio suggests a more conservative financial structure with a greater reliance on equity financing. Investors and creditors use the debt to equity ratio to assess a company's financial risk and evaluate its capacity to repay its debt obligations.

#### **2.1.3. Profitability Ratios**

Profitability ratios are key financial indicators utilized to assess a company's capacity to generate profits in relation to its revenue, assets, or equity. These ratios are instrumental

for investors and analysts in evaluating a company's profitability and facilitating comparisons with similar firms or industry benchmarks. Common profitability ratios include gross profit margin, operating profit margin, net profit margin, return on assets (ROA), and return on equity (ROE). These ratios can provide insights into a company's cost structure, pricing strategy, and overall financial health. They are important for investors and stakeholders to assess the profitability of a company and its potential for growth and sustainability. (Budiharjo, 2019)

ROA, an acronym for Return on Assets, is a profitability ratio utilized to assess a company's capacity to generate earnings in relation to its total assets. The ratio measures the amount of profit a company generates per dollar of assets it owns. ROA is calculated by dividing a company's net income by its total assets. A higher ROA indicates that a company is effectively using its assets to generate profits, while a lower ROA suggests that a company is not making efficient use of its assets. ROA is one of the important metrics used by investors and analysts to assess a company's profitability and overall financial health.

ROE stands for Return on Equity, which is a financial ratio that measures a company's profitability by calculating how much profit a company generates for each dollar of shareholder equity. It is calculated by dividing net income by shareholder equity. The ROE is an important metric for investors and financial analysts as it indicates how effectively a company is using its shareholder equity to generate profits. A higher ROE generally indicates that a company is able to generate more profit with less investment, which is a positive sign for investors.

## 2.2. Information Quality for Financial Statements

Septiadi (2020) defines financial information as processed data that has complete meaning for users, allowing them to use it in both present and future operations. Information quality for financial statements refers to the accuracy, completeness, reliability, relevance, and timeliness of the information presented in a company's financial statements. It ensures that the financial statements provide a true and fair view of the financial performance and position of the company, which is essential for making informed decisions by various stakeholders such as investors, creditors, and regulators. High information quality means that the financial statements are free from errors, omissions, or biases and reflect the financial reality of the company.

According to Asandimitra & Kautsar (2019), financial information is the final output that is generated at the end of a financial year or period by an accounting system. It includes financial information which serves as one of the means of communicating information to the relevant parties.

### 2.2.1. Qualitative Characteristics of Financial Information

The main qualitative characteristics of financial information: Onuorah & Imene (2016) indicated that "the quality of financial information is the rules that must be adopted to evaluate the level of financial information quality, where identifying the characteristics related to financial information helps those responsible for setting accounting standards, as

well as helps those preparing financial statements to evaluate financial information."

The Financial Accounting Standards Board (FASB) has stated that relevance and faithful representation are the two main characteristics that make financial information useful for decision-making. FASB Concepts Statement No. 2 states that "the characteristics that distinguish more useful information from less useful information are essentially the qualities of relevance and faithful representation" (FASB Concepts).

**Relevance:** The importance of financial information lies in its ability to have a meaningful impact on the economic decisions of users. It should provide relevant insights that help users evaluate past, present, and future events, as well as adjust their previous evaluations. Financial information is deemed relevant when it possesses predictive value, allowing users to make informed predictions about future outcomes, and confirmatory value, providing support or validation for existing evaluations. The concept of relevance, as defined by the Financial Accounting Standards Board (FASB), emphasizes the need for financial information to be influential in decision-making processes.

Relevance of financial information means its ability to impact decision-making, meaning that this information has the ability to make a difference in decisions. Therefore, information that is not considered due to its inability to influence decisions is considered irrelevant. Financial information is deemed relevant if it has predictive value, which means it helps users make predictions about the outcomes of past, present, and future events, as well as the ability to adjust or correct previous expectations, i.e. it has the ability to provide feedback that corrects and enhances previous expectations, and is available to decision makers as soon as possible.

**The Accurate Representation:** To truly have credibility, financial information must reflect the financial transactions, events, and other phenomena that have occurred within the entity. Useful financial information must reflect the phenomena it represents and even portray financial information accurately in terms of events, transactions, and phenomena. It must be complete, unbiased, and free from errors, although achieving these qualities may not always be possible. The essence of fair representation lies in the fact that financial information is what it purports to be, free from bias, and with minimal material errors in a manner that users can rely on it to a high degree (Lin, 2019). The content of fair representation is reflected in the fact that financial information is indeed true to what it represents and free from bias to minimize material errors in a manner that users can trust and rely on (Apali & Apali, 2017).

### 2.2.2. Financial Information Quality Determinants

Financial information quality determinants: "Quality financial information has become a fundamental goal for firms across all sectors and most stakeholders. However, there are several determinants that hinder achieving a high level of quality, which can be summarized as follows" (Al-Nusairi, 2016; Akgün, 2016):

-The quality of financial information is closely tied to the application of appropriate accounting standards. Accounting

standards serve as the foundation for the preparation of financial reports, and adhering to sound accounting standards is crucial in ensuring the production of reliable financial information.

The organizational operating environment can be categorized into two systems: the general law system and the special law system. These systems reflect the prevailing economic environment within countries, which can be further classified as socialist, capitalist, or a combination of both. The characteristics of each economic system have an impact on the quality of financial information, leading to variations in the quality of financial reporting across different environments.

Within the internal environment of a company, management possesses a certain degree of discretion in choosing accounting policies for measurement and disclosure purposes. As a result, management's choices may be influenced by trends and motives that can potentially affect the quality of financial reports. These management trends can vary based on the nature of the company's operations and may also change over time due to shifts in surrounding environmental factors. Studies have shown that management trends often stem from the pursuit of specific objectives or goals.

Overall, the quality of financial information is influenced by a combination of factors, including the application of accounting standards, the characteristics of the economic environment, and management trends within the company's internal environment. Understanding these factors is essential for ensuring the production of high-quality financial reports that effectively communicate the financial position and performance of an organization.

### **2.3. Related Literatures**

Almubaydeen, et al, (2023) they founded that the current ratio, quick ratio, cash ratio, debt to assets ratio, as well as the accounts payable turnover ratio, there is a considerable impact of the IFRS 16 changes. The results, however, indicated that the debt to equity ratio had no discernible impact.

Al-Shattarat, H. K. (2022). According to the study findings, there was a significant positive impact of operational cash flows on the financial performance, specifically on the circulating liquidity and quick liquidity ratios.

Al-Sawalmeh and Qaqish (2021). the study demonstrates the predictive power of financial ratios in determining the performance of the banking sector in the ASE. The liquidity ratio, debt-to-equity ratio, stock turnover ratio, return on assets ratio, and market-to-book ratio were identified as influential factors positively affecting the banking sector, while the return on equity ratio had a negative impact.

Tran et al (2020), a study was conducted to examine how the use of various financial ratios impacts the level of disclosure in financial reports for Vietnamese firms listed on the stock exchange. The findings revealed four factors that positively influence the quality of disclosure in interim financial reports, namely, the size of the enterprise, liquidity, sales growth, and profitability.

Awwad & Salem (2019), the study indicates that certain financial ratios play a significant role in influencing the

market price per share of Jordanian industrial companies. The current ratio, quick ratio, earnings per share, return on equity, debt ratio, total asset turnover, price-to-earnings ratio, and price-to-book value ratio were identified as influential factors affecting the market prices of these companies. However, the degree of financial leverage and the working capital turnover rate were not found to have a significant impact on the prices of these companies.

Izzalqurny et al (2019), the study found that financial statement fraud risks are affected by financial liquidity ratios, but that the financial ratios of profitability and financial leverage were not shown to impact fraud in financial reports..

### **2.4. Hypotheses Development**

On a basis of the study's problem, the following main hypotheses were put forward:

H0: There is no effect of financial ratios on improving the quality of information for financial statements, represented by the average closing price of shares of industrial firms on ASE.

This leads to the following three hypotheses were put forward:

H0.1: There is no effect of liquidity ratios (current ratios, quick ratios) on enhancing the quality of information for financial statements of industrial firms ASE.

H0.2: There is no effect of debt ratios (debt-to-equity ratio, debt-to-assets ratio) on enhancing the quality of information for financial statements of industrial firms ASE.

H0.3: There is no effect of profitability ratios (ROE, ROA) enhancing the quality of information for financial statements of industrial firms ASE.

## **3. RESEARCH APPROACH**

### **3.1. Data and a Sample**

The study sample consisted of all industrial firms listed on ASE, and the study relied on financial data provided by the financial statements of these listed firms during the period between 2019-2020. A total of 33 firms were included in the study.

### **3.2. Measure of Variables**

In this study, panel data analysis was used, which relies on the characteristics of both time-series data and cross-sectional data. This method considers the impact of both individual factors and time effects. Primary data from the financial reports of industrial firms listed on the ASE during the period of 2019-2020 was utilized for statistical analysis in the study. These data are also available on ASE website.

#### **3.2.1. Independent Variables**

#### **3.2.2. Dependent Variables**

The average closing price for shares of industrial firms listed in ASE reflects the level of financial statement data.

**Table 1. Independent Variables.**

Ratio	Symbol	Measure	Study
Current Ratio	CR	Assesses a company's present assets against its short-term obligations.	Al- shattarat,H(2022)
Quick Ratio	QR	Determines how well a corporation can meet its immediate obligations using its assets that are most liquid, excluding inventories.	Al- shattarat,H(2022)
Debt Ratio	DR	Determines how much of a company's assets are covered by total debt.	Ross, et al. (2021)
Debt to Equity Ratio	DER	compares a company's total debt to its shareholders' equity	Al-Slehat, Z. A. F. (2020)
Return on Assets	ROA	measures the amount of profit a company generates per dollar of assets it owns	Al-shattarat,H(2022), Budiharjo, 2019,
Return on Equity	ROE	Determines a company's profitability by figuring out how much profit it makes for every dollar invested by shareholders.	Al-shattarat,H(2022), Budiharjo, 2019,

**3.3. Empirical Models**

The financial regression model is designed to explain the closing price (CP) of industrial firms listed on the ASE, and it comprises several variables, including:

$$CP = a + a_1CR + a_2QR + a_3DR + a_4DER + a_5ROA + a_5ROE + \text{Error}$$

CR: Current Ratio.

QR: Quick Ratio.

DR: Debt Ratio.

DER: Debt to Equity Ratio.

ROA: Return on Assets.

ROE: Return on Equity.

CP: Closing Price.

The model also includes a constant term (*a* o) and error term. The coefficients (*a*) of the independent variables indicate the strength and direction of their impact on the dependent variable (CP).

**3.3. Descriptive Statistics**

The normal distribution test was used for all variables, including the values of Skewness and Kurtosis. The data is considered normally distributed if the values of Skewness are between ±1.96, and the values of Kurtosis are between ±2.58 (Hair et al, 2010). Table (2) presents the results of the normal distribution test for the study variables.

**Table 2. The Normal Distribution Test.**

Skewness	Kurtosis	Variables
1.644	1.845	Current Ratio
1.523	1.229	Quick Ratio
0.640	-0.526	Debt Ratio
1.191	1.648	Debt to Equity Ratio
-0.257	-0.729	Return on Assets
-2.596	1.762	Return on Equity
1.765	2.338	Quality of Financial Statements Information

The study data underwent a normal distribution test, and the Kurtosis values fell between (-2.596) and (1.765), while the Skewness values ranged from (-0.729) to (2.338). These results suggest that the study variables were normally distributed.

**Table 3. The Autocorrelation Test.**

Result	D-W	Hypotheses
There is no self-relationship	2.321	H0.1
There is no self-relationship	2.881	H0.2
There is no self-relationship	2.352	H0.3

The table presents the outcomes of the Durbin-Watson test for three hypotheses, where the values of the calculated D-W for H0.1, H0.2, and H0.3 are 2.321, 2.881, and 2.352, respectively. Based on these values; we can conclude that there is no autocorrelation present in the data for all three hypotheses.

**3.4. Empirical Results and Analysis**

The study focuses on Jordanian industrial firms that are listed on ASE between 2019 and 2020. The data for these firms were collected from their annual reports, and the study aims to examine the effect financial ratios on the quality of information for financial statements. The study will use multiple regression analysis to test all the hypotheses derived from the main hypothesis, which states that "There is no effect of financial ratios on improving the quality of information for financial statements, represented by the average closing price of shares of industrial firms on ASE".

**3.4.1. Test of Liquidity Ratios on Quality of Information**

The table presented earlier (table 4) shows that liquidity ratios (specifically Current ratios and Quick ratio) accounted for 92.8% of the variation in the quality of financial statement information, with all other factors held constant. The significance of this effect was confirmed by the value of F, which was 124.965 at a confidence level of 0.000, indicating a positive effect. Therefore, the alternative hypothesis that there is effect of liquidity ratios (current ratios, quick ratios) on enhancing the quality of information for financial statements of industrial firms ASE is accepted over the null hypothesis.

**Table 4. The First Sub-Hypothesis Examines.**

Dependent Variables	Coefficients				
	Items	B	Standard error	T	Sig t
Quality of Financial Statements Information	Slope Stability			10.514	
	Current Ratio	0.115	0.161	0.715	0.480
	Quick Ratio	-0.213	0.208	-1.023	0.314
R2	0.928				
Adjusted R-squared	0.911	F	124.965	Sig.	0.000

**Table 5. The second Sub-hypothesis Examines.**

Dependent Variables	Coefficients				
	Items	B	Standard error	T	Sig t
Quality of Financial Statements Information	Slope Stability			2.613	
	Debt Ratio	0.009	0.024	0.383	0.704
	Debt to Equity Ratio	-2.050	0.930	-0.834	0.411
R <sup>2</sup>	0.930				
Adjusted R-squared	0.921	F	122.184	Sig.	0.000

**Table 6. The Third Sub-hypothesis Examines.**

Dependent Variables	Coefficients				
	Items	B	Standard error	T	Sig t
Quality of Financial Statements Information	Slope Stability			25.975	
	ROA	-0.001	0.036	-0.016	0.987
	ROE	-0.001	0.009	-0.101	0.921
R <sup>2</sup>	0.924				
Adjusted R-squared	0.909	F	119.248	Sig.	0.000

### 3.4.2. Test of Debt Ratios on Quality of Information

The results from the previous (table 5) indicate that the determination coefficient ( $R^2=0.930$ ) has explained 93.0% of the variation in financial statement information quality, with other factors being held constant. Additionally, the F value reached 122.184 at a confidence level of Sig = 0.000, confirming the significance of the regression. Based on the information provided, it appears that the null hypothesis has been rejected in favor of the alternative hypothesis, which states that "there is no effect of debt ratios (DR, DER) on enhancing the quality of information for financial statements of industrial firms ASE".

### 3.4.3. Test of Profitability Ratios on Quality of Information

The results of table 6 show that the profitability ratios (ROA and ROE) accounted for 92.4% of the variation in the quality of financial statement information when other factors were held constant, with a determination coefficient value of  $R^2=0.924$ . The F-value was found to be 119.248 at a confi-

dence level of Sig=0.000, indicating that the regression was significant at a level of  $\alpha \leq 0.05$ . As a result, the alternative form of the third sub-hypothesis was accepted while the negative form was rejected, which states that "There is effect of profitability ratios (ROE, ROA) enhancing the quality of information for financial statements of industrial firms ASE".

## 4. CONCLUSION

In order to investigate the impact of financial ratios on the improvement of information quality for financial statements in industrial companies, the study selected 33 firms that were listed on the ASE during the period from 2019 to 2020. Data was collected from the ASE website, and the E-VIEWS method was used to analyze the data. The study utilized various measures to assess the variables. The results showed effect at the significance for financial ratios in improving the quality of information for financial statements, represented by the average closing price of shares of industrial firms listed on the ASE. This result can be attributed to the adoption of modern analysis methods and various financial ratios

by industrial firms listed on ASE for the purpose of extracting information from financial statements, studying it in depth, interpreting it, and analyzing it according to sound mathematical and statistical methods. This is done in order to evaluate financial performance and accounting processes, whether for past company operations or to obtain predictive financial data for the future. This positively affects the quality of financial information for these companies, as investors rely on these values and trust them, leading to an increased demand for trading the company's shares and, consequently, a positive effect on the closing price of the researched industrial company shares. It appears that this result partially concurs with the findings of the study by Al-Sawalqa and Qaqish (2021), which demonstrated the ability of financial ratios to predict the banking sector index. It also agrees with the study by Abu Al-Joud (2019) that financial ratios used by the bank affect its investment decision-making process indirectly. Additionally, this finding is consistent with previous studies, such as Al-Kubaisi and Al-Qudah's (2015) research that showed a significant positive relationship between financial ratios and a company's financial performance, as well as Tran et al. (2020) study that found a correlation between using various financial ratios and improving the quality of financial statements. Additionally, Awwad and Salem's (2019) study also supports this result, showing a significant effect of financial ratio analysis on the financial performance of firms.

According to the findings of the statistical investigation, the liquidity ratios (current ratio and quick ratio) have an impact on the quality of data for financial statements reflected by the average closing price of firms listed on ASE. This result may be attributed to the reliance of industrial firms listed on ASE on a set of statistical procedures and foundations to interpret the relationships between the elements of financial statements, for the purpose of evaluating the company's ability, identifying its strengths and weaknesses, including turnover ratios, which are used to demonstrate the company's ability to meet its short-term obligations from its current assets. In addition, the reliance on quick liquidity ratios to identify the company's ability to pay off its short-term obligations from its current assets, which are characterized by their rapid conversion into cash, where an increase in these ratios is a good indicator of the company's ability to repay its debts, thereby enhancing the confidence of banks and financial institutions in granting it loans and credit facilities, and consequently supporting its financial position and attracting investors to trade its shares. The research by Al-Sawalqa and Qaqish (2021) and these findings are relatively consistent, which showed a positive effect of liquidity ratios on predicting the banking sector index, as well as with the study by Awwad and Salem (2019), which demonstrated a statistically significant effect of liquidity ratios (turnover and quick liquidity ratios) in estimating stock prices. Nevertheless, these findings diverge from those of Bajaber and Abdulrahman's (2020) study, which found no significant influence of liquidity ratios on the stock's market closing price.

According to the study's findings, there was a considerable impact of debt ratios (debt ratio, debt-to-equity ratio) on improving the quality of financial statement information, as demonstrated by the mean closing price of industrial firms listed on ASE. The researcher attributed this outcome to the

endeavors of financial managers and accountants in the listed ASE industrial firms, who analyzed financial statements and accounting reports to identify indicators that could be employed to address discrepancies and enhance the efficiency of production, operational, and financial processes to raise their financial performance, including paying attention to debt ratios, which indicate the proportion of loans and external financing sources that the company has relied on to finance its various assets and short-term investments, or the extent to which those in charge of the researched industrial firms rely on knowledge of the company's reliance on debt compared to contributions from owners to finance its needs, "as an increase in both ratios is a dangerous indicator that firms seek to reduce to the lowest possible percentage, which is a high margin of safety for lenders and an opportunity for the company to obtain more loans to finance its various operations, enhancing investors' interest in its stocks, which raises the quality of its financial statement information and enhances the trust of different parties in it, affecting the closing price of these companies' shares. The findings of this study align with the research conducted by Al-Sawalqa and Qaqish (2021), which demonstrated that there is a positive relationship between debt ratios and the ability to predict the banking sector index. And it also agrees with the study by Awwad and Salem (2019), which shown that debt ratios had a statistically significant impact on estimating stock values, This results conflicts with that of a research by Bajaber and Abdulrahman (2020), which found that debt ratios had no discernible impact on a stock's market closing price. The results showed a statistically significant effect at the significance level ( $0.05 \geq \alpha$ ) for the profitability ratios (return on assets, return on equity) in improving the quality of financial information for the financial statements represented by the average closing price of industrial firms listed on ASE. This result can be attributed to the adoption of analytical methods and financial ratios by the industrial firms listed on ASE, which can reveal the strengths and weaknesses of financial policies and investment decisions followed by the company, with the aim of providing stakeholders with more accurate information and interpretation of the company's activities and various projects. The return on assets indicates the company's efficiency in obtaining the maximum possible returns compared to the available resources and capabilities of the company at a reasonable cost, while the return on equity reflects the company's ability to achieve profits for shareholders, which positively affects the prices of the shares they own. Thus, profitability indicators are an important measure of the efficiency of a company's business, its operational and investment policies, and their positive impact on the company's shares, reflecting the quality of the financial information included in the financial statements of the companies. This result somewhat agrees with the study of Al-Sawalqa and Qaqish (2021), which showed a positive effect of return on assets on predicting the banking sector index, and it also agrees with the study of Awwad and Salem (2019), It shown the return on equity (ROE) profitability ratio's statistically substantial impact on forecasting stock values. This is in contrast to Bajaber and Abdulrahman's (2020) results, which showed that profitability ratios did not statistically significantly affect the closing price of the stock on the market.

## 5. RECOMMENDATION, LIMITATION AND FUTURE RESEARCH

Following are the recommendations made by the research based on the preceding findings:

Firstly, conducting continuous training programs for financial managers and accountants in industrial firms listed on ASE to enhance their skills, knowledge, and keep them informed of the latest financial ratio analysis developments.

Secondly, complying with the International Financial Reporting Standards (IFRS) by Jordanian industrial firms listed on ASE when preparing their financial statements to make them of high predictive value for the financial performance of these companies. Lastly, adopting corporate governance principles by Jordanian industrial firms listed on ASE to maximize their production, increase company returns, and subsequently increase their profitability and stock closing price.

Certainly, the study has some limitations that should be acknowledged. The researcher only focused on a limited number of financial ratios to assess their impact on the quality of financial statement information. However, there are numerous other factors that may also contribute to improving or reducing the quality of financial statement information. Therefore, it is suggested that future researchers should consider including additional variables in their studies, such as return on investment (ROI), gross profit margin, net profit margin, and return on capital employed (ROCE), to get a more comprehensive understanding of the factors that affect the quality of financial statement information.

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