

## **Abstract**

This study aims basically at trying to explore the factors which effect share prices for the firms listed at Amman Stock Market during 1998-2003- the period that witnessed a marked increase in the share price- the research sample consists of 42 firms that represent all the sectors, also the most important firms in terms of marketing value and exchange volume in the market.

Through discovering the possible relation between the change of the share price (dependent variable) and the changes in (turn over ratio, earning per share, cash dividends, interest rate on yearly deposits, inflation rate) independent variables.

The study has set out trying to answer the following questions:

- I. Is there a relation between the change of share price from one side, and the change in all other independent variables from the other?
- II. Is this relation (if there is any) strong and of an important statistical function and what is the nature of this relation?

For answering these questions, the researcher has set out hypotheses to be tested for answering the above mentioned questions.

To test these hypotheses, the researcher has dealt with the published statements which contains (the closing share price, turn over ratio, earning per share, share from cash dividends) during the years studied, for each firm in addition to the interest rate and the inflation rate within the same period.

In order to discover whether there is a relationship between the previous factors and the change of share price and the nature of this relationship, the researcher has applied multiple regression method through the ordinary least squares method (significant level 5% and confidence interval 95%) by using the annual change of share price, as a

dependent variable and the change of the previous factors as independent variables.

The result of the published data analysis confirm on the two hypotheses for the researcher has found out that the turn over ratio effects the share price directly and strongly and this relation is statistically significant.

The researcher has found out that the interest rate affects the share price strongly and negatively and this relationship is statistically significant.

No relation was of statistic function proved between the earning per share and its share from cash dividends from one side, and the share price from the other. Also there is no relationship of statistic significance between the inflation rate and share price.

This has made us to believe that the Jordanian investor currently doesn't consider the share profitability or its cash dividend. He doesn't take these two factors when he purchases shares but he considers the capital gain resulting from in change in the share price. He hasn't notice the inflation because of its being relatively low. It has been proved in the study the Jordanian investors e.g. interest in share as an alternative investment for the bank deposits. This because of low interest rate. His emphasis is on active share in the market.

The study has also arrived at the fact that the change in the previous independent variables collectively explain only for 9.5% of the change in the market share price. The reason can be attributed to the existence of other factors apart from the factor being studied - which should explain for considerable change in the share price as far as the theoretical aspect of the stock market and known theories - that the researcher hasn't attained.