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INDUSTRIAL FIRM'S FINANCIAL PERFORMANCE THROUGH BID - ASK SPREAD SINCE THE FINANCIAL CRISIS: EVIDENCE FROM JORDANIAN CAPITAL MARKET

Abstract:

Regarding to the existence of the Global Financial Crises that occurred on 2007 which affected all economies around the world with its adverse consequences , where it plays a critical role on leading some industries to fail simultaneously especially from its financial performance point of view ; And hence the Bid- Ask spread considered as a measurement of transactional costs, indicator of information of the trading system in the financial exchanges , and has the ability to reflect the price concessions which used to indicate the market quality, and consistently related to the firm's performance through profitability measurements.

This study plans to shed light on the interrelationship between the determinants of Bid-Ask Spread and the firm's performance in Amman Stock Exchange (ASE) ; using a proposed model from previous studies which would be applied to introduce some factors that determines the spread ; such as firm's specific risk and security's characteristics ; the study investigates a theoretical considerations and empirically testing for such kind of relationship based on monthly basis by using a panel data framework on a sample of firms from Jordanian industrial sector ; which has a prominent effect on the market and the ability to influence the economy's financial stability.

Consistent with previous studies, the results shows that some firm's securities factors such as the price's volatility have an inversely effect on bid-ask spread, while partialy inconsistent with some studies the trading activities has a negative impact , which could be refers to the critical changes on Joradanian Financial Market during the period of the study , however the firm's factors have a significant role to effect this spread such as financial performance and ownership structure .

Keywords:

Financial Crisis, Bid-Ask Spread, Firm Specific risk, security's characteristics, Financial Performance, Price Volatility, Trading Activities.