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DOES EARNINGS QUALITY AFFECT ORGANIZATION PERFORMANCE? EVIDENCE FROM JORDAN

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Abstract

The current study aims to investigate the effect of earnings quality on the organization performance. It provides some empirical evidences from an emerging market, specifically from Jordanian market. The study is based on use a panel data analysis method, and the unit of analysis is organization. The study sample is a complete sensuous population, where it includes all Jordanian industrial public shareholding companies listed in Amman Stock Exchange (ASE) during 2012-2017. Our contribution from this study is twofold. First, increase the body of the knowledge about the effect of earnings quality on the organization performance in an emerging market (Jordanian market). Second contribution, identify the level of Jordanian market controlling of earnings quality and then provide some evidence about it. As a result, Return On Assets (ROA), Return On Equity (ROE), and Earnings Per Share (EPS) as proxies for the organization performance affected by earnings quality. The Jordanian market as an emerging market (related to Jordanian industrial public shareholding companies) is controlling of earnings quality with a good level. Finally, the study recommended to continually investigating the effect of economic environment factors and internal environment factors on earnings quality in order to enhance the company performance.

Keywords: *Earnings Quality, Earnings Management, Organization Performance, Industrial Companies, Jordanian Market*
JEL Codes: *M21, M41, M42*

1. Introduction

The relevance and reliability of financial information became more important for the decision making, especially with the environmental uncertainty that affects the business environment. Dempster and Oliver (2019) discussed that earnings quality is an important indicator for the relevance and reliability of financial information. It contributes in providing great benefits for decision makers, such as financing suppliers, creditors, investors and other users (Schipper & Vincent, 2003; Abdelghany, 2005; Das, Shroff, &

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Zhang, 2009; Lambert, Leuz, & Verrecchia, 2007; Li, 2014; Dempster & Oliver, 2019). In order to take a true decision, the decision makers require more sensitive information that is characterized by high quality. Francis, LaFond, Olsson, and Schipper (2005) confirmed that the information of earnings quality is an important indicator that used by creditors, where the cost of capital is negatively associated with earnings quality (Francis, LaFond, Olsson, & Schipper, 2004; Easley & O'Hara, 2004). The companies with a high earnings quality enjoy discounts in their costs of equity and their costs of debt compared to companies with the low earnings quality (Ecker et al., 2006; Easley & O'Hara, 2004; Dechow & Dichev, 2002).

Prior studies, such as Cheng, Dinh, Schultze, and Assel (2019) and Chan, Chen-K, Chen-T, and Yu (2015) confirmed that earnings quality provides information about financial misstatements, and it contributes in increasing investors' confidence about earnings information. Beyer, Guttman, and Marinovic (2019) and Perotti and Wagenhofer (2014) documented that earnings quality contributes in managing the magnitude of investors' uncertainty, where earnings quality provides information about the company assets in place and future earnings. Mitra (2016) added that earnings quality is highly negatively associated with company-specific return volatility. The managerial discretionary behavior and economic fundamentals have effect on company-specific return volatility, and the current earnings are useful information to predict future earnings and thus future dividend-paying ability (Dempster & Oliver, 2019; Schipper & Vincent, 2003). Besides, Bellovary, Giacomino, and Akers (2005) defined the earnings quality as "ability of reported earnings to reflect true earnings, as well as the usefulness of reported earnings to predict future earnings". Thereby, we can note that users consider earnings quality as one of the most reliable and important indicators in preparing financial forecasts about the returns, and it provides indicator about information asymmetry.

Dempster and Oliver (2019) also discussed that earnings quality represents an expensive and important aspect of managerial behavior, and it's an ethical issue in the companies. In the fact, managerial behavior affected by accounting methods, estimates made, judgments, and decisions by standard setters (Teets, 2002). As well, Healy and Whalen (1999) added that earnings quality affected by managerial behavior that may be affects the company performance. Abdelghany (2005) also discussed that a company that manages earnings provides a message that bending the truth is an acceptable price. In other words, earnings management is an ethical environment in which suspicious activities may occur.

The current study develops an econometric model for the effect of earnings quality on the organization performance using empirical evidence from Jordanian market as an emerging market. In Jordan, a panel data analysis indicates that the organization

performance until recent years under a very low level because the economic conditions and environmental uncertainty that affected. For example, the earning per share of Jordanian industrial public shareholding companies listed in Amman Stock Exchange (ASE) was 10 percent, 7 percent, and 1 percent for the year 2012, 2014, and 2017, respectively. Therefore, our contribution from the current study is twofold. First contribution, increase the body of the knowledge about the effect of earnings quality on the organization performance in an emerging market (Jordanian market). Second contribution, identify the level of Jordanian market controlling of earnings quality and then provide some evidence about it.

2. Literature Review and Hypothesis Design

The EQ means persistent of cash flow in the company, and high EQ indicates that persistent of cash flow is more than persistent of accruals (Hamdan, Mushtaha, & Al-Sartawi, 2013). In other words, the lower non-ordinary accruals in accounting profit refer to high EQ. Kamarudin and Ismail (2014) confirmed that EQ is the earnings ability to provide users, such as financing suppliers, creditors, investors and other users with like relevance and credibility information about cash flow sources. They also noted that cash flow is highly positively associated with EQ, and this means that more cash flow refers to high EQ.

Ball and Shivakumar (2005) indicated that EQ gives the ability to forecast and identify company fair valuation, and it provides accurate information in side of the operating and future performance. Persakisa and Iatridis (2015) documented that EQ is the earnings that credibly and genuinely represent real earnings and not fraudulent. As well, Hamdan, Mushtaha, and Al-Sartawi (2013) added that EQ will be high in the company if it is conservatism and accountable, as well as no earnings management practice.

However, several studies discussed the relationship between EQ and companies' performance, such as Ball and Shivakumar (2005), Dechow (1994), Dichev, Graham, Harvey, and Rajgopal (2013), Burgstahler, Hail, and Leuz (2006), Dechow, Ge, and Schrand (2010), Davis-Friday, Eng, and Liu (2006), and Martowidjojo, Valentincic, and Warganegara (2019). They noted that EQ and companies' performance are important issues with environmental uncertainty that affect business environment. Martowidjojo, Valentincic, and Warganegara (2019) discussed that high EQ decreases rather than increases the market values of equity, but companies that pay out dividends are valued significantly higher, as well as companies that issue equity are valued lower. Machdar, Manurung, and Murwaningsari (2017) also discussed that high accounting reservation will increase the relevance of accounting information, and this is will improve the EQ. They also noted that the operating performance positively affected by EQ, and it negatively affected by real earnings management.

Aguguom, Dada, and Nwaobia (2019) and Aguguom and Salawu (2018) documented that EQ highly positively associated with companies' book value, and this refers to that the relevance of information disclosure enhances EQ, as well as credibility of reported book value. Chan-K., Chan-L., Jegadeesh, and Lakonishok (2006) discussed that stock returns positively and negatively affected by EQ and earnings management, respectively. This means that high EQ and low-earnings management will improve stock returns, and thus EQ negatively associated with earnings management. Lee (2019) added that non-operating earnings quality affects the market returns of Taiwan's companies. Additionally, Wijesinghea and Kehelwalatennab (2017) concluded that no effect of EQ on the shares returns of manufacturing companies.

Besides, Machdar, Manurung, and Murwaningsari (2017) noted that the company performance positively and negatively associated with EQ and real earnings management, respectively. This is because high EQ and low-earnings management refer to sound management practices in the company that affect the company performance. Challen and Siregar (2012) discussed that real earnings management negative associated with the company value. The real earnings management refers to low EQ, and thus the company value decreases. Fatemi, Glaum and Kaiser (2018) and Sardo and Serrasqueiro (2017) concluded that the company value positively associated with the performance strengths. The good performance strengths indicate to high company value. Latif, Bhatti, and Raheman (2017) concluded that EQ works on maximizing the value of companies, specifically the value of non-financial companies.

Ma (2017) discussed that high EQ of public companies decreases a company's systematic market risk, and the company performance will increase. This finding documented by the theoretical framework of Lambert, Leuz, and Verrecchia (2007). From Egyptian financial market, as an emerging market, Al Deeb (2018) discussed the role of EQ as mediator factor in the relationship between earnings management, returns variability, and corporate governance, with shares performance. He confirmed that EQ mediates this relationship, where EQ supports other factors in order to improve the shares performance.

With that, Kormendi and Lipe (1987) discussed that the returns earnings association depends on earnings persistence, and it measures the extent to which current earnings are associated with the future earnings. These results present that there is relationship between returns earnings association and EQ. Likewise, returns earnings association and EQ will contribute to users (such as financing suppliers, creditors, investors and other users) protection through help them to make the right decisions and predict future returns, and this is supported by Cahan and Sun (2009).

Finally, it is clear that there has been relatively little research done until recent years in the effect of EQ on the organization performance, specifically in emerging markets (such

as Jordanian market), while there has been an abundance of research into the prevalence of earnings management, specifically in developed markets. Previous studies disagree about the effect of EQ on the organization performance. In other words, there is variation in the effect of EQ, as well as it has been under-explored in the studies. Therefore, the current study investigates the effect of EQ on the organization performance using empirical evidence from Jordanian market as an emerging market. The current study is based on organizational theory and contingency theory. The organizational theory studies organizations as a whole, and it concerns with determinants of control strategy as well as distinguish between two types of performance evaluation control, namely outcome based and behaviour based (Jones, 1995). The organization performance in the organizational theory comprises the actual output of an organization (Upadhaya, Munir, & Blount, 2014). The contingency theory discusses that managerial practices and managerial human capital are production factors, as well as the company should select them optimally given the business environment it faces (Bloom & Van Reenen, 2007; Ichniowski, Shaw, & Prennushi, 1997; Lucas, 1978).

As a conclusion, we can present the current study hypotheses as follow:

- First Hypothesis: *Given the Jordanian industrial public shareholding companies, EQ positively affects ROA*.
- Second Hypothesis: *Given the Jordanian industrial public shareholding companies, EQ positively affects ROE*.
- Third Hypothesis: *Given the Jordanian industrial public shareholding companies, EQ positively affects EPS*.

3. Research Methodology

3.1. Population and Study Sample

The current study is an empirical study in the Jordanian industrial public shareholding companies which are listed ASE during the year 2012 until the year 2017, and the study excluded the year 2018 from the study period, as a result, the financial information was of limited use because it was unavailable for all targeted companies in the year 2018. This means that the study population is all Jordanian industrial public shareholding companies, where there are 62 industrial companies listed in ASE during the study period. Official disclosers from government entities (such as Central Bank of Jordan) recently documented that the industrial sector is an important sector in Jordanian economic environment, where it contributes about 25.2% of the gross domestic product (GDP) at the end of the year 2019, and the value of this sector until the year 2019 was about JD 3.25 billion. Besides, this study aims to look at industrial sector through investigate the effect of

earnings quality on the performance of Jordanian industrial public shareholding companies, as an empirical evidence from Jordanian market. As well, the study sample is all Jordanian industrial public shareholding companies listed in ASE during the study period, and this means that the current study sample is a complete sensuous population.

3.2. Study Data and Analysis Method

The current study uses the financial disclosures of Jordanian industrial public shareholding companies during the study period in order to measurement of the study variables. This means that the current study uses a panel data analysis method, and thus the unit of analysis is organization. Moreover, this study is based on use SPSS software v.20 for statistical analysis of the study data because SPSS is widely used by the prior studies in social science.

3.3. Study Model

The model of the current study includes the organization performance (OP) from a financial aspect as dependent variable, and earnings quality (EQ) as an independent variable. The model of this study includes three controlled variables, namely company size (Size), total equity to total assets percentage (TEtoTA), and working capital percentage (WC).

3.4. Measurements of the Study Variables

Regarding to the measurement of earnings quality, the prior studies disagree about earnings quality measurement (Srinidhi, Gul, & Tsui, 2011; Beyer, Guttman, & Marinovic, 2019; Wasan & Mulchandani, 2020). Srinidhi, Gul, and Tsui (2011) measured EQ by current discretionary accruals which are related to financial statements. Kent -P., Kent -R., Routledge, and Stewart (2016) measured EQ by capturing earnings manipulation and the uncertainty of accruals and this measurement supported by Dechow and Dichev (2002), Francis, LaFond, Olsson, and Schipper (2005), Jones, Krishnan, and Melendrez (2008), and Dechow, Ge, and Schrand (2010). Beyer, Guttman, and Marinovic (2019) measured EQ by predictions about the time-series properties of financial information and reporting bias (Wasan & Mulchandani, 2020). Mehrani, Moradi, and Eskandar (2017) discussed that we can measure the EQ by earnings response coefficient, discretionary accruals, predictive value of earnings, conservatism, and real earnings management. Abu Ali, Dabai, and Abu Nassar (2011) and Jafari (2016) suggested that the cash approach uses as a measurement of EQ. They documented that the closer of the accounting profits to cash reflect a high quality, and this measurement was adopted in the current study. It is concerned with measuring the predictive power of EQ. We can present the EQ measurement by a following equation:

$$OCFtoTA = \frac{Operating\ Cash\ Flow}{Total\ Assets} \quad (1)$$

$$NItoTA = \frac{Net\ Income}{Total\ Assets} \quad (2)$$

$$EQ = \frac{OCFtoTA}{NItoTA} \quad (3)$$

where, OCFtoTA is the ratio of dividing the operating cash flow by total assets for each company in each year, NItoTA is the ratio of dividing the net income by total assets for each company in each year, and then EQ is the result of dividing OCFtoTA by NItoTA.

Besides, OP in the current study measures by three indicators, namely Return On Assets (ROA), Return On Equity (ROE), and Earnings Per Share (EPS). Nassar (2018) and Obuobi et al. (2020) documented that these indicators are as proxies for the organization performance measurement. The equations of these indicators present as follow:

$$ROA = \frac{Net\ Income}{Tota;Assets} \quad (4)$$

$$ROE = \frac{Net\ Income}{Tota;Equity} \quad (5)$$

$$EPS = \frac{Net\ Income - Dividend\ on\ Preferred\ Stock}{Average\ outstanding\ shares} \quad (6)$$

The controlled variables in the current study calculate by the following equations:

$$Size = Ln\ (Total\ Assets) \quad (7)$$

where, company size calculates by natural logarithm (ln) of total assets for each company in each year (Devin, Ara, & Jafari, 2019).

$$TEtoTA = \frac{Total\ Equity}{Total\ Assets} \quad (8)$$

where, TEtoTA calculates by dividing the total equity for each company in each year by its total assets (Fanning & Cogger, 1998; Devin, Ara, & Jafari, 2019).

$$WC = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities} \quad (9)$$

where, WC calculates by dividing the total current assets for each company in each year by its total current liabilities (Al Qaisi, Tahtamouni, & AL-Qudah, 2016).

4. Data Analysis and Results

4.1. Diagnostic Analysis

Initially, the anomaly values have deleted from a panel data in order to increase the reliability and validity of the findings. Then, the normality distribution test for the panel study data is tested through defining the data curve and it shows that the panel study data under the normal curve. The study is used the multicollinearity tests through Pearson correlation coefficients, as well as the Variance Inflation Factor (VIF) and the inverse VIF (tolerance (TOL, 1/VIF)). These tests aim to determine if the panel study data suffer from any econometric problems (Gujarati & Porter, 2009; Baltagi, Jung, & Song, 2010; Baltagi, 2008). Gujarati and Porter (2009) confirmed that the multicollinearity problem appears when the correlation coefficient (Beta) result between two variables is more than 0.80, and VIF values for all variables are more than ten and the inverse VIF (tolerance (TOL, 1/VIF) values for all variables are less than 10 percent. Findings show that Pearson correlations (Beta) between the variables are less than 0.80. As well, the VIF values and the inverse VIF values are less than ten and more than 10 percent, respectively. Thereby the regression models of the current study do not suffer (is a fit) from the multicollinearity problem.

4.2. Descriptive Analysis

The current study uses many descriptive tests (i.e. Means, Standard Deviation (SD), Maximum and Minimum value) to describe a panel study data during its period. Findings in Table (1) present that the maximum value of EQ was (13.250) and the minimum value was (-14.140). The mean of EQ was (0.861) with a SD (2.891). The mean value means that it closer to one and thereby the EQ of Jordanian industrial public shareholding companies in a high level. At the same time, a SD value indicates that there are statistical differences between EQ values in Jordanian industrial public shareholding companies.

The mean of ROA was (1.374%) with a SD (7.909%), as well as the mean of ROE was (1.423%) with a SD (15.075%). It is clear that the earnings of Jordanian industrial public shareholding companies were at a low level. This is may be due to the difficult economic conditions during the study period that have significantly affected the returns of these companies. Besides, the mean of EPS was (0.057) with a SD (0.334), and we can note that the mean of EPS at a good level compared to the risk-free return in Jordan during the study period.

Then, the mean of company size was (16.706) with a SD (1.461). In other words, the mean of total assets of Jordanian industrial public shareholding companies was (JD 64,678,633) and no statistical differences between the total assets of these companies during the study period. The mean of TEtoTA was (0.636) with a SD (0.234), and this

indicates that Jordanian industrial public shareholding companies focus on the internal financing for their investments in order to decrease the cost of funding. The mean of WC was (2.511) with a SD (2.394), and this is also indicates that WC of the targeted companies at a very good level, and these companies are able to fulfill their current liabilities.

Table 1. Descriptive analysis

Variables	Minimum	Maximum	Mean	SD
EQ	-14.140	13.250	0.861	2.891
ROA (%)	-35.820	27.670	1.374	7.909
ROE (%)	-62.033	66.036	1.423	15.075
EPS	-1.172	2.386	0.057	0.334
Size	12.677	20.915	16.706	1.461
TEtoTA	0.001	0.996	0.636	0.234
WC	0.021	16.227	2.511	2.394

5. Regression Models Analysis

The study uses the correcting Regression with Driscoll-Kraay standard errors method to test the study hypotheses. The current study includes three hypotheses, and the following paragraphs present the results of the hypotheses test.

- First Hypothesis: *Given the Jordanian industrial public shareholding companies, EQ positively affects ROA.*

Table (2) presents the results of the above hypothesis. Results indicate that the model of the above hypothesis is a fit at a significant level of the F-statistic (19.307***). The consistent term (_Cons) of the first hypothesis model is positively significant (Beta=45.7 percent) at p-value < 0.01. This means that EQ positively affects ROA of the Jordanian industrial public shareholding companies, and thereby the first hypothesis is accepted. Furthermore, the EQ with the controlled variables (Size, TEtoTA, and WC) explain (19.8 percent -Adjusted R2-) in the variations of ROA.

Table 2. Regression results of the first hypothesis

Variables	$ROAit = \alpha + \beta_1 Size_{it} + \beta_2 TEtoTA_{it} + \beta_3 WC_{it} + \beta_4 EQ_{it} + (\varepsilon_i + v_{it})$ (10)		
	Coefficients	**(t-static)**	**Sig.**
Con-	-31.040	-6.013	0.000***
Size	1.457	5.034	0.000***
TEtoTA	13.063	5.584	0.000***
WC	0.022	0.106	0.916
Con-	-30.540	-5.955	0.000***
Size	1.423	4.947	0.000***
TEtoTA	12.626	5.419	0.000***
WC	0.052	0.252	0.801
EQ	0.309	2.326	0.021**
R (Beta)	*0.457*		
R Square	*0.209*		
Adjusted R Square	*0.198*		
(F-value)	*19.307****		

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

- Second Hypothesis: *Given the Jordanian industrial public shareholding companies, EQ positively affects ROE*.

The regression results of the second hypothesis model present in Table (3). Regression results indicate that the model of the second hypothesis is a fit at a significant level of the F-statistic (16.401***), and thereby the second hypothesis is accepted. In other words, the EQ positively affects ROE of the Jordanian industrial public shareholding companies. The consistent term (_Cons) of the above hypothesis model is positively significant (Beta=42.9 percent) at p-value < 0.01. Adjusted R2 was (17.3 percent), and this

means that the EQ with the controlled variables (Size, TEtoTA, and WC) explain (17.3 percent) in the variations of ROE of Jordanian industrial public shareholding companies.

Table 3. Regression results of the second hypothesis

Variables	$ROEit = \alpha + \beta_1 Size_{it} + \beta_2 TEtoTA_{it} + \beta_3 WC_{it} + \beta_4 EQ_{it} + (\varepsilon_i + \nu_{it})$ (11)		
	Coefficients	**(t-static)**	**Sig.**
Con-	-55.282	-5.220	0.000***
Size	2.231	3.803	0.000***
TEtoTA	30.785	6.141	0.000***
WC	-0.369	-0.880	0.379
Con-	-54.206	-5.145	0.000***
Size	2.164	3.707	0.000***
TEtoTA	29.762	5.948	0.000***
WC	-0.299	-0.717	0.474
EQ	0.584	2.170	0.031**
R (Beta)	*0.429*		
R Square	*0.184*		
Adjusted R Square	*0.173*		
(F-value)	*16.401****		

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

- Third Hypothesis: *Given the Jordanian industrial public shareholding companies, EQ positively affects EPS*.

Results in Table (4) show that the model of the third hypothesis is a fit at a significant level of the F-statistic (23.837***), and the consistent term (_Cons) of the hypothesis model is positively significant (Beta=48.1 percent) at p-value < 0.01. The EQ with the controlled variables (Size, TEtoTA, and WC) explain (22.2 percent - Adjusted R2 -) in the

variations of EPS of the targeted companies. As a conclusion, the third hypothesis is accepted, and thereby the EQ positively affects EPS of the Jordanian industrial public shareholding companies.

Table 4. Regression results of the third hypothesis

Variables	$EPSit = \alpha + \beta_1 Size_{it} + \beta_2 TEtoTA_{it} + \beta_3 WC_{it} + \beta_4 EQ_{it} + (\varepsilon_i + \nu_{it})$ (12)		
	Coefficients	**(t-static)**	**Sig.**
Con-	-1.714	-8.172	0.000***
Size	0.087	7.344	0.000***
TEtoTA	0.503	5.190	0.000***
WC	0.003	0.350	0.725
Con-	-1.700	-8.108	0.000***
Size	0.086	7.270	0.000***
TEtoTA	0.489	5.021	0.000***
WC	0.004	0.461	0.645
EQ	0.008	1.428	0.154
R (Beta)	*0.481*		
R Square	*0.231*		
Adjusted R Square	*0.222*		
(F-value)	*23.837***		

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

6. Discussion

Findings show that a high EQ increases the organization performance of Jordanian industrial public shareholding companies, where the ROA, ROE, and EPS indicate to the organization performance. These findings complicate the findings of previous studies, such as Latif, Bhatti, and Raheman (2017), DeFond, Hung, and Trezevant, (2007), Wysocki (2005), Larson and Resutek (2011), Leuz, Nanda, and Wysocki (2003), Dechow, Ge, and

Schrand (2010), and Antonio, Laela, and Darmawan (2019). These previous studies indicated that market return positively affected by EQ, and it plays a vital role in increasing the market value of the shares prices. Larson and Resutek (2011) documented that EQ contributes in minimized magnitude of earnings forecast errors, and this is may be improve the organization performance. High EQ will lead to high decision makers protection (Antonio, Laela, & Darmawan, 2019; Cahan & Sun, 2009), where information with high EQ is less opaque because EQ helps decision makers to capture useful and real accounting information (Cahan & Sun, 2009).

Machdar, Manurung, and Murwaningsari (2017) confirmed that high relevance of accounting information will improve the EQ. They also confirmed that EQ positively affects the operating performance and real earnings management negatively affects. Chan-K., Chan-L., Jegadeesh and Lakonishok (2006) and Lee (2019) confirmed that the EQ positively affects the share return, because sound management practices in the company positively affect the company performance, and thereby improve the share return (Manurung & Murwaningsari, 2017; Ma, 2017).

In contrast, Wijesinghea and Kehelwalatennab (2017) indicated that the manufacturing companies' share return not affected by EQ, and therefore it is not supported their performance. Martowidjojo, Valentincic, and Warganegara (2019) also indicated that high EQ decreases the market values of equity. This means that there are many factors, such as economic environment factors and company environment factors may be affecting this relationship. Al Deeb (2018) discussed that EQ with other factors improve the shares performance. In other words, EQ with other factors in the company environment work on complement each other to improve the performance.

Moreover, a high EQ may be reduce information uncertainty and asymmetry (Beaupain & Joliet, 2011; Qi, Subramanyam, & Zhang, 2010; Dechow & Dichev, 2002), and this is attributed to timing and matching problems associated with realized performance (Dechow, 1994). For example, accruals quality can be used to enmeshment the ability of earnings and signal private information to measure company performance (Dechow, 1994). Sayari and Omri (2017) indicated that low EQ will result in higher liquidity costs because real earnings management reflects low accounting information quality. On the one hand, Dechow (1994) discussed that managers in public shareholding companies able to opportunistically manipulate return, and this is will affect the company performance.

Finally, the findings of the current study are supported through the organizational theory and contingency theory. The organizational theory discusses that control strategy is important factor that affects the company performance (Jones, 1995). As well, the contingency theory discusses that managerial practices and managerial human capital as

production factors affect the company performance (Lucas, 1978; Ichniowski, Shaw, & Prennushi, 1997; Bloom & Van Reenen, 2007).

7. Conclusion

As a conclusion, the performance of Jordanian industrial public shareholding companies is positively affected by EQ. In other words, high EQ positively affects ROA, ROE, and EPS of Jordanian industrial public shareholding companies. The previous findings of the current study indicate to the Jordanian market as an emerging market (related to Jordanian industrial public shareholding companies) controlling of EQ with a good level. This is because the study models explain 19.8 percent, 17.3 percent, and 22.2 percent of ROA, ROE, and EPS, respectively.

8. Study Recommendations and Future Research

The current study recommended to, the necessity of limiting earnings management practices in Jordanian industrial companies to improve levels of earnings quality, and therefore increase their financial performance. Increase managers' awareness in Jordanian industrial companies of achieving fair disclosure of financial information, because earnings management and earnings quality are ethical issues in the companies. As well, the study recommended the future researchers to investigate the effect of economic environment factors and internal environment factors on earnings quality, in order to enhance the company performance.

9. Study Limitations

The current study focuses on the period from the year 2012 to the year 2017 only. As data become available for more fiscal years, future studies may re-investigate the issue.

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