The Impact of Capital Structure on Financial Performance of Palestinian Listed Companies

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Abstract
The study aims to demonstrate the impact of capital structure of listed companies in Palestine Stock Exchange (PSE) on their performance. It used quantitative analysis to exam hypotheses of study, where it was used Multiple Linear Regression Model and other statistical tests. The sample of study consist of the financial reports of 34 companies that are listed in PSE during 2007 – 2015, where it is excluded the financial institutions. The study found that there is positive significant relationship between capital structure, age of firm, growth of firm, assets turnover of Palestinian corporation and return on assets (ROA). While there is an inverse relationship between the debt ration ratio on ROA after excluding ownership and debt percentages. As well as, many of Palestinian listed companies (74%) depend for financing their capital structure by proprietary, where this confirms the stability of companies in financing by proprietary. The study suggested that the corporation need to be awareness in the importance of risk of the decisions that related to choosing the optimal capital structure in order to improve financial performance in maximizing the value of the company.

Keywords: capital structure, financial performance, listed companies, Palestinian stock exchange, financing sources.

1.1. Background and study problem:
Profitability is one of the important indicators in financial performance evaluation for corporations and examining it effectiveness of available resources for maximizing profits and corporations value. Therefore, financing decision is the vital decision in financial department in different companies which rely on the optimal capital structure for these companies. The goal of any company is to make profits and maximize the wealth of owners, hence, they have to looking continuously for different sources of finance, where the financing process is a renewed process. Bo Taweel (2014) stated that more investments need more financing. However, it is often the main cause of business failure is the loss of capital or mismanagement. Similarly, the main reason of cancel pre-configured idea and turn it into reality also is the providing capital. Winborg and Landstrom (2001) argue that financial problems (lack of funds) limit the growth and development of firms. Financing is one of the most difficult hurdles all types of firms must overcome to start or raise a business, which stems from decisions to choose funding sources and the composition of the capital structure.

Firms have a variety of choices of expanding capital for growth. However, each of these sources have advantages, disadvantages, and obstacles. So, the problem is which sources is the best for firms? Myers (1984) raised the question about how firms choose financing. The answer provided was "We do not know how firms choose debt, equity ..."

There are different types of sources of finance for firms which are available for the startups during the different stages of the firm life cycle. Some of it are internal sources such as ownership equity, personal finance, Product presales, friends and family, saving of retirement. While the external sources of financing are like loans, suppliers, crowdfunding, grants, angel investors ... and so on. As well as, it classifies according to its cost, return, and risk associated. Financial theories don't seem to explain actual financing behavior, it seems presumptuous to advise firms on optimal capital structure when we are so far from explaining actual decisions ... Khudairy (2001).

Palestine Exchange "PEX" is considered as an emerging financial market that there is no comply in implementation of the law of financial market, where investors make their financial decisions randomly and
cannot make an excess return by knowledge of past prices. It needs sufficient knowledge about capital structure and its costs for each listed company, and the benefit of investor, in particular for the Palestinian investors, when they decide to invest in stocks or bonds. This study will explore the effect of capital structure on the financial performance through examining the published financial reports of Palestinian listed companies for the years 2010 to 2015 "2010 as the base year" in order to improve the performance of stock markets through provide useful financial information for all investors. Therefore, it will try to find these effects by answering the following questions:

1- Is there a significant relationship between capital structure and return on assets (ROA) of Palestinian listed companies?

2- Is there a significant relationship between capital structure and return on equity (ROE) of Palestinian listed companies?

The objective of this study is to demonstrate the impact of the capital structure of Palestinian listed companies on ROA and ROE through describing the concept of capital structure, components and its impact on corporate performance.

1.2. Review of the relevant literature

The capital structure refers to liabilities and equity from the balance sheet used to finance the needed assets and resources of the company, which reflecting adopted financial structure for the company's investments. Indraus (2007) sees the capital structure as a combination of financing sources that selected to cover the company's investments, as it presents the liabilities in the balance sheet whether debt or ownership.

One of the most important issues that financial management devote their concern is how to choose the appropriate financing mix to finance the company's investments. Khalil (2012). He pointed out that the company's management should choose the appropriate financing model that balances the two components of the return on the target investment from the funds borrowed, and the expected risks level from the inability to pay the debt and its interest, moreover, financial leverage has to be taken in consideration. Therefore, the choice is not random. It requires financial management to calculate the cost of the Optimal financial structure; because the it has a major impact and influence in many decisions of the company.

Karadeniz et al... (2011) investigate the role of firm size on capital structure decisions of Turkish lodging companies. A survey questionnaire is developed and sent to unquoted Turkish lodging companies. They found that firm size is a significant factor for capital structure decisions of Turkish lodging companies.

The literature about the capital structure in the companies and the factors affected have been studied in many times in different aspects around the world. Modigliani and Miller in 1958 are the first who wrote in capital structure theory through examined the firm's value changes though changing its capital structure Modigliani and Miller (1958, 1963).

A several of papers were written investigating the subject and trying to find the effect of capital structure on corporate performance in many aspects. Most studies found a positive relationship between capital structure and firm's performance such as: Hadlock and James (2002); Frank and Goyal (2003), Berger and Bonaccorsi (2006), Abed el-Jaleel (2014), Abu shammala et al. (2017). Among others. While there are other papers found a negative relationship such as: Deesomak et al. (2004); Huang and Sang (2006); Tang and Jang (2007); Ebaid (2009); Karadeniz et al. (2009) and Chakraborty (2010).

Abu shammala et al. (2017) studied the impact of the debt structure on the financial performance of listed corporations at Palestine Exchange (PEX). They pointed out that using long-term debts to finance the firms' assets in the sectors of investment, insurance, and industrial sector increases the return on assets (ROA), while the firms listed in the service sector which is has a negatively affected ROA by their dependency on long-term debt. They resulted also that account payable has a significant positive effect on ROA of the industrial sector's firms only. Additionally, short-term debts have a significant positive impact on ROA for the listed firms in the investment and insurance sectors. Hamadan and Qudah (2013) found similar results through testing the effect of the capital structure on the performance of the 13 Jordanian banks whose shares are listed on the stock exchange, in and their financial statements from 1991 to 2010 that the capital structure; because the it has a major impact and influence in many decisions of the company.
structure measured by the ratio of liabilities to assets have a positive impact on the performance of Jordanian banks measured by return on assets, return on equity and earning per share.

Murtaza and Azam (2019) measured the relationship between ownership structure and capital structure by using the chemical sector of Pakistan using the annual reports of the chemical sector of Pakistan for the time period of 2012 to 2017. They found that ownership structure has a significant positive relationship on capital structure. Which mitigate the agency conflicts among managers and shareholders, because the majority of the shareholders would like to have a higher level of debt over equity financing.

Abed el-Jaleel (2014) testing the effect of the capital structure on the performance for Jordanian listed companies between 2008 to 2012. He resulted that a positive relationship between assets turnover and growth rate and both of ROA and ROD. While there is an inverse relationship between debit to equity ratio and just ROE.

The nature of the financing structure of the company affects the policy of its management in the distribution of profits, as the companies with financial leverage conservative in their policies for the distribution of profits; because the high volume of indebtedness makes the bulk of its profits directed to pay the interest of debt rather than distribution to shareholders, Financial leverage affects the cost of capital and therefore affects the investment decisions of companies. Many studies attributed this structure to the size of the company, profitability, assets owned by the company, expected growth and ownership structure (Ahmad Khalil, 2011). Kamal et al (2011) examined the relationship between dividend policy and financial leverage of listed companies in Karachi Stock Exchange during the period 2002 to 2008. by comparing Dividend policy with the debt ratio of the firm, the previous year’s dividend yield as its independent variables and change in earnings as a dummy variable. they found that financial leverage has a negative impact on dividend payout, indicating less dividend payments by high-debt firms. while the change in earnings has no significant impact on dividend policy in case of Pakistani firms.

Abbadi and Abu-Rub (2012) looked for the relationship between the market efficiency and capital structure of Palestinian financial institutions through measuring the effect of capital structure on the bank efficiency measured by ROE, ROA, Total deposit to assets, total loans to assets and total loans to deposits were used to measure capital structure. they found that leverage has a negative effect on bank profits, an increase in each ROA and Total Deposit to Assets increase bank efficiency.

sources of financing are differing according to many factors affected on the companies. It divided into internal financing sources and external financing sources. Where the internal sources such as stocks, retained earnings and reserves. While the external sources include loans and bonds. Yousef (2012). Hananda (2007) examined 65 Jordanian industrial companies in the period (1996 to 2006) in order to determine the impact of capital financing sources on the financial performance of the Jordanian companies in that period. He found that there is a statistical relationship between both long-term loans and financing through the capital and retained earnings and performance of the company.

1.3. Methodology of study:
This section describes the sample selection and discusses the development of the hypotheses. It includes two subsections: Sample of study and Hypotheses development.

1.3.1. Hypotheses Development
In order to examine the impact of capital structure which choosing in Palestinian listed company on their financial performance; the study develop two models using multi-regression model. Where it uses capital structure as an independent variable, and financial performance as a dependent variable.

In the first hypothesis, study examine the effect capital structure on financial performance, where it measures financial performance by return on assets (ROA) while, it used debt ratio, assets turnover, company growth, debt’s financing percentage, equity’s financing percentage, company age as a measurement of capital structure. Therefore, the first hypothesis of this study is:
H1: there is no significant relationship between capital structure and return on assets (ROA) of Palestinian listed companies.

According to this hypothesis, the following model was established to examine the first hypothesis:

\[ \text{ROA} = \alpha + \beta_1 \text{Age} + \beta_2 \text{Growth} + \beta_3 \text{DR} + \beta_4 \text{ASTUR} + \beta_5 \text{DER} + \beta_6 \text{EQ} \%
\]

Similarly, the second hypothesis also use the same independent variable “capital structure” in order to examine its effect on financial performance of Palestinian listed companies. However, in this hypothesis, it used return on equity (ROE) as a measurement of financial performance. Therefore, the second hypothesis of this study is:

H2: there is no significant relationship between capital structure and return on equity (ROE) of Palestinian listed companies.

According to this hypothesis, the following model was established to examine the first hypothesis:

\[ \text{ROE} = \alpha + \beta_1 \text{Age} + \beta_2 \text{Growth} + \beta_3 \text{DR} + \beta_4 \text{ASTUR} + \beta_5 \text{DER} + \beta_6 \text{EQ} \%
\]

1.3.2. Proposed model & variables:

Dependent variable: financial performance of Palestinian listed companies:
The financial performance of Palestinian listed companies was calculated by Return On Assets (ROA) and Return On Equity (ROE). In this study,

Independent variables:

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Symbol</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt ratio</td>
<td>DR</td>
<td>Total liabilities ÷ Total assets</td>
</tr>
<tr>
<td>Assets turnover</td>
<td>ASTUR</td>
<td>Total sales ÷ Total Assets</td>
</tr>
<tr>
<td>Co. Age</td>
<td>Age</td>
<td>Firm startup year</td>
</tr>
<tr>
<td>Co. growth</td>
<td>growth</td>
<td>Net income after tax ÷ annual sales.</td>
</tr>
<tr>
<td>Debt’s to equity ratio</td>
<td>DER</td>
<td>total liabilities ÷ (total assets × equity %)</td>
</tr>
<tr>
<td>equity’s financing percentage</td>
<td>EQ. %</td>
<td>1 - DER</td>
</tr>
</tbody>
</table>

Table 1: variables of study

1.3.3. Study population and study sample:
The study population consists of all listed companies in Palestinian exchange market totaling 48 companies. However, it excluded financial companies that involve banks and insurance companies. Where the study excluded 14 banks and insurance companies because that there is special law adopted by Palestine monetary authority for banks and insurance companies determining the minimum amount for company’s capital by 50 million US dollar (Palestine monetary authority instruction 7/2009). Therefore, the study sample was included 34 corporation that achieve the following conditions in Palestinian exchange market.
1- The company must be listed in financial market since 1/1/2007 to 31/12/2015 and it was not stop transactions dealing during this period.
2- The companies have all information related to dependent and independent variables.

The currency of financial reports of companies’ sample was transfer to Jordan dinar because the most of corporations in the sample use Jordan dinar.

1.3.4. Data sources:
In order to collect study data, it uses secondary sources that include the financial reports from 2007 to 2015 of published financial reports on the websites of the Palestinian financial markets.

1.4. Hypotheses test:
The study used the following tests in order to examine the hypotheses of study:

1.4.1. Descriptive Statistics:
According to table (2), the study found that most of firms’ ages are more than 10 years, which mean they have good experience to choose the best structure of capital in their firms. As well as, the long age and experience of these firms lead to growth and expanding. Therefore, they have to diversify to financing sources and then choose the optimal capital structure.

Regarding to sector's type, it was found that the companies of the sample were from different sectors. The type of sector affects the financial performance of the company, as it requires expansion in its business; to maintain its market position, which means diversifying the sources of funds to be used in financing its activities, increasing profits and choosing the optimal capital structure.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Firm age:</strong></td>
<td></td>
</tr>
<tr>
<td>Less than 10 years</td>
<td>14.1%</td>
</tr>
<tr>
<td>10-20 years</td>
<td>47.1%</td>
</tr>
<tr>
<td>More 20 years</td>
<td>38.8%</td>
</tr>
<tr>
<td><strong>Sector Type:</strong></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>35.5%</td>
</tr>
<tr>
<td>Investment</td>
<td>26.5%</td>
</tr>
<tr>
<td>Industrial</td>
<td>38.2%</td>
</tr>
</tbody>
</table>

**Table 2: sample’s characteristics**

<table>
<thead>
<tr>
<th>Debit ratio (DR)</th>
<th>Investment firms</th>
<th>services firms</th>
<th>industrial firms</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 10%</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>7</td>
<td>20.6</td>
</tr>
<tr>
<td>10% - 20%</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>11.8</td>
</tr>
<tr>
<td>20% - 30%</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>14.6</td>
</tr>
<tr>
<td>30% - 40%</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>26.5</td>
</tr>
<tr>
<td>More than 40%</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>9</td>
<td>26.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9</td>
<td>12</td>
<td>13</td>
<td>34</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity’s financing percentage (EQ%)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20% - 40%</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>8.8</td>
</tr>
<tr>
<td>40% - 60%</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>17.6</td>
</tr>
<tr>
<td>60% - 80%</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>14</td>
<td>41.2</td>
</tr>
</tbody>
</table>

Page 28
More than 80% & 4 & 2 & 5 & 11 & 32.4  
Total & 9 & 12 & 13 & 34 & 100  

Debt’s to equity ratio (DER)  
0% - 25% & 4 & 1 & 4 & 9 & 26.5  
25% - 50% & 4 & 3 & 4 & 9 & 26.5  
50% - 75% & 4 & 3 & 2 & 7 & 20.5  
More than 75% & 1 & 5 & 3 & 9 & 26.5  
Total & 9 & 12 & 13 & 34 & 100  

Return on Assets (ROA)  
Negative Return & 3 & 6 & 2 & 11 & 32.4  
0% - 10% & 6 & 5 & 9 & 20 & 58.8  
10% - 26% & 0 & 1 & 2 & 3 & 8.8  
Total & 9 & 12 & 13 & 34 & 100  

Return on Equity (ROE)  
Negative Return & 3 & 6 & 1 & 10 & 29.4  
0% - 10% & 5 & 4 & 8 & 17 & 50.0  
10% - 26% & 1 & 2 & 4 & 7 & 20.6  
Total & 9 & 12 & 13 & 34 & 100  

Assets Turnover (ASTUR)  
Less than 25% & 7 & 6 & 1 & 14 & 41.2  
25% - 50% & 1 & 3 & 6 & 10 & 29.4  
50% - 75% & 0 & 1 & 3 & 4 & 11.8  
More than 75% & 1 & 2 & 3 & 6 & 17.6  
Total & 9 & 12 & 13 & 34 & 100  

Growth Rate (Growth)  
Negative Growth & 3 & 7 & 2 & 12 & 35.3  
0% - 20% & 2 & 3 & 9 & 14 & 41.2  
20% - 40% & 1 & 1 & 1 & 3 & 8.8  
More than 40% & 3 & 1 & 1 & 5 & 14.7  
Total & 9 & 12 & 13 & 34 & 100  

Table 3: Financial ratios of corporations' sample for the study's period "sector's type"  

1.4.2. Model estimation results  
First hypothesis: there is no significant relationship between capital structure and return on assets (ROA) of Palestinian listed companies.  
this hypothesis examines the effect of capital structure on financial performance. the hypothesis model is:  

\[ \text{ROA} = -\alpha + \beta_1 \text{Age} + \beta_2 \text{Growth} + \beta_3 \text{DR} + \beta_4 \text{ASTUR} + \beta_5 \text{DER} + \beta_6 \text{EQ. \%} \]

The results of the multiple regression analysis showed a number of models, where regression coefficients and values agreed with the theoretical basis governing the phenomenon under study. The relationship between the elements of the capital structure and the ROA can be summed up in the following points:  

There is a statistically significant relationship between capital structure of the Palestinian listed companies and the rate of return on assets (ROA), this relationship is positive relationship in some variables and inverse relationship in others as the following:  

a) A positive relationship between Co. age and the ROA is 0.192 when the other factors are stable. That mean when co. lives for more one year, ROA may increase 0.192 as a percentage.
b) A positive relationship between the rate of growth and the ROA is 0.024 when the other factors are stable. That mean increase growth rate one percent, ROA may increase 0.024 as a percentage.

c) A positive relationship between asset turnover and the ROA is 0.035 when the other factors are stable. That mean increase of asset turnover one time, ROA may increase 0.035 as a percentage.

d) An inverse relationship between debt to equity ratio and the ROA is (0.029) when the other factors are stable. That mean increase of debt to equity ratio one time, ROA may decrease 0.029 as a percentage.

e) Both of equity ratio and debt ratio were excluded because they had no significant effect ($\alpha \leq 0.05$), where the effect of these two variables has been incorporated into the previous variables.

Hence, the components of the capital structure consist of debt ratio, equity ratio, debt to equity ratio, asset turnover and growth rate, as well as supporting elements that indirectly impact such as co.'s age. The linear regression model was used to test this hypothesis showed that there is a positive relationship between the ROA and the growth rate as well as the asset turnover rate. Which is agreed with the logic of economic theory, where the increase in growth rate as well as the increase in turnover of assets lead to increase ROA normal circumstances. The model also showed a statistically significant inverse relationship between ROA and debt to equity ratio. This result is for discussion because it is known that increasing the indebtedness of companies means increasing investment, which means economically increase the ROA. This result may be due to the nature of the sample of the study, which include just investment, services, and industry companies. Therefore, the according to the multiple regression analysis, the best model and conforming to statistical specifications is the following model:

$$ROA = -2.841 + 0.192 \text{Age} + 0.024 \text{Growth} - 0.029 \text{DER} + 0.035 \text{ASTUR}$$

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td></td>
<td></td>
<td></td>
<td>-2.173</td>
<td>.031</td>
</tr>
<tr>
<td>age</td>
<td>0.192</td>
<td>0.038</td>
<td>0.353</td>
<td>5.096</td>
<td>.000</td>
</tr>
<tr>
<td>growth</td>
<td>0.024</td>
<td>.007</td>
<td>0.234</td>
<td>3.345</td>
<td>.001</td>
</tr>
<tr>
<td>DER</td>
<td>-0.029</td>
<td>.010</td>
<td>-0.216</td>
<td>-3.014</td>
<td>.003</td>
</tr>
<tr>
<td>ASTUR</td>
<td>0.035</td>
<td>.016</td>
<td>0.162</td>
<td>2.223</td>
<td>.028</td>
</tr>
</tbody>
</table>

Table 4: Coefficients Table: "hypothesis (1)"

**Second hypothesis:** there is no significant relationship between capital structure and return on assets (ROE) of Palestinian listed companies.

This hypothesis examines the effect of capital structure on financial performance. the hypothesis model is:

$$\text{ROE} = -\alpha + \beta_1 \text{Age} + \beta_2 \text{Growth} + \beta_3 \text{DR} + \beta_4 \text{ASTUR} + \beta_5 \text{DER} + \beta_6 \text{EQ} \%$$

The results of the multiple regression analysis showed a number of models, where regression coefficients and values agreed with the theoretical basis governing the phenomenon under study. The relationship between the elements of the capital structure and the ROE can be summed up in the following points:

**There is a statistically significant relationship between capital structure of the Palestinian listed companies and rate of return on equity (ROE) at level ($\alpha \leq 0.05$), this relationship is positive relationship in some variables and inverse relationship in others as the following:**

a) A positive relationship between Co. age and the ROE is 0.275 when the other factors are stable. That mean when co. lives for more one year, ROE may increase 0.275 as a percentage.

b) A positive relationship between the rate of growth and the ROE is 0.027 when the other factors are stable. That mean increase growth rate one percent, ROE may increase 0.027 as a percentage.

c) A positive relationship between debit ratio and the ROE is 0.297 when the other factors are stable. That mean increase of debit ratio one time, ROE may increase 0.297 as a percentage.
d) An inverse relationship between debt to equity ratio (DER) and the ROE is (0.148) when the other factors are stable. That mean increase of debt to equity ratio one time, ROE may decrease 0.148 as a percentage.

e) Both of equity ratio and asset turnover were excluded because they had no significant effect (α ≤ 0.05), where the effect of these two variables has been incorporated into the previous variables.

Hence, the components of the capital structure consist of debt ratio, equity ratio, debt to equity ratio, asset turnover and growth rate, as well as supporting elements that indirectly impact such as co.’s age. The linear regression model was used to test this hypothesis showed that there is a positive relationship between the ROE and the growth rate as well as the debit ratio Which is agreed with the logic of economic theory, where the increase in growth rate as well as the increase of debit ratio lead to increase ROE. The model also showed a statistically significant inverse relationship between ROE and debt to equity ratio. This result is for discussion because it is known that increasing the indebtedness of companies means increasing investment, which means economically increase the ROE. This result didn't demonstrate by the model because of the sample nature, which include just investment, services, and industry companies, and the capital of companies that included by the sample. Therefore, the according to the multiple regression analysis, the best model and conforming to statistical specifications is the following model:

\[
\text{ROE} = -5.631 + 0.275 \text{Age} + 0.027\text{Growth} - 0.148 \text{DER} + 0.297 \text{DR}
\]

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Constant</td>
<td>-5.631</td>
<td>2.702</td>
<td>-2.084</td>
<td>.039</td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>-.148</td>
<td>.039</td>
<td>-.668</td>
<td>-3.793</td>
<td>.000</td>
</tr>
<tr>
<td>age</td>
<td>.275</td>
<td>.062</td>
<td>.304</td>
<td>4.432</td>
<td>.000</td>
</tr>
<tr>
<td>DR</td>
<td>.297</td>
<td>.126</td>
<td>.416</td>
<td>2.362</td>
<td>.019</td>
</tr>
<tr>
<td>Growth</td>
<td>.027</td>
<td>.012</td>
<td>.157</td>
<td>2.297</td>
<td>.023</td>
</tr>
</tbody>
</table>

Table 5: Coefficients Table: "hypothesis (2)

1.5. Conclusions and recommendations:

Through analysis and discussion of the theoretical and practical aspects, the study found that:
- The percentage of Palestinian listed companies that finance more than was (60%) of their capital structure by proprietary is (73.60%), which confirms the stability of companies in financing by proprietary.
- The percentage of Palestinian listed companies that finance more than (30%) of their capital structure by debit and loans is (53%), which confirms the previous result.
- The results are agreed with many studies such as Hadlock and James (2002); Frank and Goyal (2003), Berger and Bonaccorsi (2006), Abed el-Jaleel (2014), Deesomask et.al. (2004); Huang and Sang (2006); Tang and Jang (2007); Ebaid (2009); Karadeniz et. al. (2009)

The study recommends to:
1- Improve the members of the financial management team skills of the Palestinian listed companies by training courses and workshops.
2- The corporation need to be awareness in the importance of risk of the decisions that related to choosing the optimal capital structure in order to improve financial performance in maximizing the value of the company.
3- Encourage financing by proprietary to increase capital rather than rely on high interest loans that accompanied by high risk.
4- The study recommends to examine other independent factor that may have effects on the capital structure and its effect on financial performance.

1.6. References:
xxiv. Yousef; H. (2012), Financial analysis in institutions, financial balance, financing means, selection and differentiation criteria, University Education publisher, Egypt.