

Haidar Haidar
Latakia University, Syria

Value Relevance of Different Earnings Components: Evidence from Syrian Private Banks

Abstract

Purpose: This research explores the value relevance of various earnings components in the income statements of Syrian private banks and their impact on investor decision-making. Utilizing data from banks listed on the Damascus Stock Exchange from 2010 to 2022, the study investigates the relationship between share prices and key earnings components to enhance understanding of the value relevance of accounting metrics.

Study design/methodology/approach: A correlation analysis of earnings items identified three key components for modeling: income from interest and fees, unrealized gains/losses from foreign currency revaluation, and operating expenses. A pooled Ordinary Least Squares (OLS) regression model was employed to evaluate their influence on stock prices.

Sample and data: Annual data were manually extracted from the financial reports of 11 conventional private banks listed on the Damascus Stock Exchange for the period from 2010 to 2022.

Results: The OLS regression findings indicate that income from interest and fees is significantly more relevant to investors than overall earnings figures. This suggests that investors should focus on analyzing interest-related income in their strategies. While unrealized gains/losses and operating expenses are also relevant, they account for less variation than income from interest and fees, highlighting the need for regulatory improvements in income reporting.

Originality/value: This is the first empirical study examining the value relevance of different earnings components within the Syrian banking sector.

Research limitations/implications: The study is limited to 11 banks on the Damascus Stock Exchange, which may affect the generalizability of the findings.

Keywords: Value Relevance, Income Statement, Earnings Components, Syrian Banks.

JEL classification: G21

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الملخص

ملاءمة القيمة لمكونات الأرباح المختلفة: دليل من المصارف الخاصة السورية

حيدر حيدر

جامعة اللاذقية، الجمهورية العربية السورية

هدف الدراسة: يتناول هذا البحث ملاءمة القيمة لمكونات الأرباح المختلفة التي تظهر في بيان الدخل للمصارف، كما يراها المستثمرون السوريون، إذ يستكشف البحث العلاقة بين أسعار الأسهم وبنود الأرباح المختلفة الواردة في بيانات الدخل للمصارف الخاصة السورية المدرجة في سوق دمشق للأوراق المالية عن الفترة من 2010 إلى 2022.

تصميم/ منهجية/ طريقة الدراسة: بعد تحليل الارتباط الثنائي لبنود الأرباح المختلفة، اختبر ثلاثة منها لإدراجها في نموذج الدراسة، وهي: الدخل من الفوائد والرسوم، والمكاسب والخسائر غير المحققة الناتجة عن إعادة تقييم العملات الأجنبية، ونفقات التشغيل. وقد استُخدم نموذج الانحدار المجمع وفق طريقة المربعات الصغرى العادية لدراسة العلاقة بين مكونات الأرباح وأسعار الأسهم.

عينة الدراسة وبياناتها: جُمعت البيانات السنوية يدوياً من التقارير المالية للمصارف الخاصة التقليدية الإحدى عشرة المدرجة في سوق دمشق للأوراق المالية، تلك التي تغطي الفترة من 2010 إلى 2022. نتائج الدراسة: كشفت نتائج الانحدار أن الدخل من الفوائد والرسوم يوفر معلومات أكثر ملاءمة نسبياً للمستثمرين من رقم الأرباح النهائي، في حين أن المكاسب والخسائر غير المحققة إلى جانب النفقات التشغيلية تحمل أهمية متزايدة لأسعار الأسهم، إلا أنها تفسر تبايناً أقل مقارنةً بالدخل من الفائدة والرسوم.

أصالة الدراسة: وفقاً لأفضل معرفة للمؤلف، فإن هذه هي أول دراسة تجريبية من نوعها تبحث في أهمية القيمة لمكونات الأرباح المختلفة في القطاع المصرفي السوري.

حدود الدراسة وتطبيقاتها: تشمل عينة الدراسة 11 مصرفاً خاصاً تقليدياً مدرجاً في بورصة دمشق، وقد يجد هذا من إمكانية تعميم النتائج على أسواق مالية أخرى.

الكلمات المفتاحية: ملاءمة القيمة، بيان الدخل، مكونات الأرباح، المصارف السورية.

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Introduction

The IFRS Conceptual Framework (2018) stipulates that financial reports provide decision-useful information for various stakeholders, including investors. To ascertain the utility of accounting information for investors, numerous empirical investigations have analyzed the market reaction of share prices to accounting disclosures (Cornell & Landsman, 1989; Louhichi, 2008; Pelliver & Rees, 1999; Su, 2003) or the association between accounting information and share prices. Earnings represent a primary accounting metric extensively employed in share valuation (Dechow et al., 1998). The prominence of accounting earnings stems from their ability to measure management performance and predict future cash flows (Dechow et al., 1998). Furthermore, Giner and Reverte (1999) and Jaggi and Zhao (2002) suggest that disaggregated earnings components may offer investors more relevant information for decision-making than aggregate earnings (net income) or complement the information conveyed by aggregate earnings. While many studies have explored the usefulness of various accounting variables, few have specifically evaluated the value relevance of distinct earnings components within the income statement (Chen & Wang, 2004; Giner & Reverte, 1999; McGregor, 2022). This gap in the literature highlights the need for more in-depth research into the significance of earnings components.

The Syrian banking sector offers a distinctive and compelling setting for examining the relationship between share prices and earnings components. Firstly, the prevailing economic challenges and conflicts have precipitated substantial shifts in investor behavior and decision-making processes, necessitating an understanding of how these factors impact the valuation of accounting information within a volatile environment. Furthermore, the Central Bank of Syria's policy permitting banks to hold capital in foreign currencies amid fluctuating exchange rates and inflation has engendered specific financial reporting complexities. This scenario facilitates a nuanced examination of the perceived relevance and reliability of these earnings, differentiating them from conventional earnings metrics. Additionally, the relatively under-researched nature of the Syrian banking sector constitutes a fertile ground for scholarly inquiry. The paucity of extant literature on Syrian financial markets underscores the need for empirical studies to augment our understanding of the region's unique economic dynamics. By focusing on the private banking sector in Syria, this study seeks to address a lacuna in the

academic literature and to offer pragmatic insights for investors and policymakers navigating this intricate financial milieu.

This study aims to investigate the manner in which Syrian investors perceive and value the constituent components of earnings presented in the income statements of private banks. Specifically, it examines the impact of financial reporting practices employed by Syrian banks on the relevance of these earnings components for valuation purposes. Moreover, this research assesses the degree to which components such as income from interest and fees, and operating expenses, exhibit differential levels of relevance compared to other earnings components and to aggregate earnings (net income).¹ Furthermore, this study explores the significance of reporting unrealized gains and losses arising from holding capital in foreign currencies within the income statements of private banks. This comprehensive approach seeks to furnish a more profound understanding of investor behavior and the salience of financial reporting within the context of the Syrian banking sector.

To achieve the study's objectives, data were manually extracted from publicly available annual reports of Syrian private banks. Key earnings components were analyzed, and the potential for multicollinearity among these components was assessed. A pricing model, adapted from Ohlson (1995), was employed to evaluate the relative and incremental value relevance of the discrete earnings components. To mitigate potential scale effects, each variable was normalized by dividing it by the number of shares outstanding at year-end. The model coefficients were estimated using a pooled Ordinary Least Squares (OLS) regression method with White's (1980) heteroscedasticity correction. The findings suggest that income from interest and fees demonstrates both incremental and relative value relevance, whereas unrealized gains and losses, and operating expenses, exhibit relevance solely when considered in conjunction with aggregate earnings.

This study offers three noteworthy contributions. Firstly, it examines the relationship between individual earnings components in the banking sector and aggregate earnings, thereby augmenting our understanding of their impact on financial reporting. Secondly, the research evaluates the significance of unreal-

¹ The term "aggregate earnings" in the literature refers to the summation of various components that culminate in the final net income. In this research, "aggregate earnings" and "net income" are used interchangeably to emphasize their equivalence in representing the overall financial performance of the entity.

ized gains and losses stemming from foreign currency holdings and exchange rate fluctuations, a topic that has received scant attention. The findings will benefit both investors and regulators by underscoring the importance of including this information within the financial statements of Syrian banks. Finally, this study is among the initial investigations of the relationship between share prices and earnings components in the Syrian market, which remains largely understudied. While several regional studies have explored accounting information, they have not specifically focused on Syria or examined individual earnings components, e.g., (Abuzayed et al., 2009; Ragab & El-Chaarani, 2018). By doing so, this research elucidates the interaction between share prices and earnings components within this unique market context.

The structure of this paper is organized as follows: Theoretical framework is presented, followed by a review of pertinent literature concerning the value relevance of accounting information. Data and empirical models employed in the study are described. Results are discussed, and the paper culminates with a concluding section.

Theoretical Framework

The provision of decision-useful financial information for diverse users, including investors, lenders, and other creditors, is deemed the primary objective of financial reporting (IFRS Conceptual Framework, 2018). Usefulness is defined by the possession of two fundamental qualitative characteristics: relevance and faithful representation (IFRS Conceptual Framework, 2018). The IFRS Conceptual Framework stipulates that financial information is relevant if it possesses predictive value, confirmatory value, or both. Furthermore, financial reports must faithfully represent the substance of the economic transactions and events they purport to describe (IFRS Conceptual Framework, 2008).

A substantial body of accounting literature concentrates on the value relevance of accounting information and the degree to which accounting information is associated with market values. These studies generally presume that if an accounting item is deemed value-relevant, it effectively represents the economic situation or transaction it purports to describe, thus ensuring faithful representation (Barth et al., 2023). Thus, value relevance studies function as joint tests for both value relevance and faithful representation.

The concept of value relevance primarily underscores the utility of accounting information for current and prospective investors in making informed investment decisions, as evidenced by its association with share prices and returns. Beisland (2009) defines the value relevance of accounting information as its capacity to reflect or encapsulate market values, particularly in terms of share prices and their fluctuations. Oyerinde (2009) conceptualizes value relevance based on the robustness of the association between accounting information and market values. These theoretical definitions provide the foundation for the empirical methodologies employed in measuring value relevance.

Early inquests into value relevance centered on scrutinizing market responses to the promulgation of accounting information (event studies) (Ball & Brown, 1968; Beaver, 1968). These inaugural investigations posited the existence of an informationally efficient market that expeditiously assimilates novel information, thereby exploring market reactions to accounting disclosures (tests of information content) (Kothari, 2001). Subsequently, scholarly endeavors in value relevance shifted towards examining the association between market valuations and accounting metrics, employing the framework articulated by Ohlson (1995), which theoretically and empirically scrutinizes the interrelation between earnings, the book value of equity, and security prices or yields. Association-based inquiries have investigated the correlation between accounting metrics and security prices or yields (Kothari, 2001). It is noteworthy that association-based research does not presuppose that accounting reports constitute the exclusive source of information for market participants. Consequently, these studies do not postulate a causal nexus between accounting data and shifts in security valuations. Rather, their objective is to ascertain whether, and with what celerity, accounting metrics respond to variations in the information that impinges upon security returns across a defined temporal horizon (Kothari, 2001).

Extant scholarship in value relevance underscores the exigency for scrutinizing a broader spectrum of accounting metrics, extending beyond the conventional confines of earnings and book values, when evaluating informational salience. This scholarly corpus elucidates that supplementary accounting dimensions, such as cash flow statements and revenue recognition methodologies, can exert a substantive influence on investors' assessments of a firm's fiscal robustness and prospective viability (Esfandani et al., 2024). In this particular study, our focus is deliberately oriented towards the value relevance of earnings components, as

delineated within the income statements of banking institutions, with the objective of ascertaining their effects upon investor perceptions and market valuations.

Literature Review

To examine the value relevance of different earnings components, several studies have emerged, which can be categorized as follows:

The salience of operating cash flows is underscored in numerous studies, encompassing diverse markets and contexts. Abou-El-Sood (2023) examines the repercussions of the COVID-19 pandemic upon the value relevance of cash flows within banking institutions across GCC countries. This study analyzes 236 bank-year observations spanning 2018 to 2021, differentiating between operating and non-operating cash flows. The findings reveal that cash flows accrued augmented significance during the pandemic, challenging the conventional reliance upon accounting earnings and book value for valuation purposes. Notably, the differentiation between cash flow typologies did not yield particularly informative insights regarding their respective impacts on valuation. Conversely, Čupić et al. (2023) investigate the nexus between accounting earnings, cash flows, and share prices in non-financial enterprises listed on the Belgrade Stock Exchange from 2005 to 2018. Their findings evince that accounting earnings possess greater value relevance than cash flows, with an inverse association between variations in earnings and equity returns. The study postulates that regulatory enhancements augment the value relevance of financial disclosures. Burlacu et al. (2024) scrutinize the impact of earnings management (EM) on firm valuations, analyzing 62 audited entities on the Bucharest Stock Exchange from 2019 to 2021. Their findings demonstrate that, while earnings exert a substantial influence on share prices, the presence of EM compromises their veracity, and consequently, their value relevance, thereby suggesting a greater focus on cash flow information. Purspa et al. (2023) explore the value relevance of earnings, book values, and operating cash flows for manufacturing enterprises in Indonesia post-convergence with IFRS Financial Accounting Standards. Employing Ohlson's pricing model, their study reveals that earnings and operating cash flows are pertinent for investor decision-making, whereas book value is deemed non-salient. Papadatos and Makri (2013) apply cross-sectional regression analysis on 1,177 observations from Greek firms (excluding financial institutions) to assess the repercussions of IFRS adoption on the value relevance of earnings and operating cash flow. Their

findings reveal that both are independently relevant when loss conditions are accounted for; however, cash flows do not proffer any salient incremental information beyond earnings. In the Polish banking sector, Bolibok (2015) documented a tenuous or non-significant association between operating cash flows or net cash flows and equity valuations, thereby suggesting that cash flows possess diminished value relevance relative to net earnings. Finally, Mirza et al. (2019) examining 607 non-financial entities spanning 2012 to 2016, found that cash flows from operations provide supplementary value-relevant information beyond net income when included in the pricing model.

Disaggregation of earnings: The disaggregation of earnings provides crucial insights into their relevance for market valuation, particularly across different firm types. Kumari and Mishra (2020) analyzed the relationship between aggregated earnings—comprising accruals and cash flows—and market equity values. Employing a linear information structure based on the Ohlson model, they distinguished between intangible and non-intangible intensive firms. Their findings reveal that disaggregated earnings consistently offer a superior explanation of market values, especially in intangible-intensive firms where accruals exhibit a higher incremental value relevance than cash flows. Conversely, for non-intangible intensive firms, cash flows demonstrated greater value relevance. These results emphasize the importance of disaggregated earnings information for investors assessing equity values and future performance. Supporting this perspective, Akbar et al. (2011) examining UK non-financial firms between 1993 and 2007, found that cash flows and total accruals possess greater value relevance than aggregated earnings. Furthermore, their research demonstrated that a finer decomposition of earnings into cash flows, current accruals, and noncurrent accruals yields even greater value relevance than considering only cash flows and total accruals. Similarly, Garrod et al. (2000) in their analysis of UK firms from 1992 to 1996, confirmed the value relevance of disaggregated earnings. They reported that components such as operating profit, operating cash flows, and accruals offered superior explanatory power compared to aggregated earnings, attributing this increased value relevance to the disaggregation process rather than the specific contribution of cash flows alone. Collectively, these studies underscore the pivotal role of disaggregated earnings in financial analysis, indicating that a more granular approach to earnings reporting significantly enhances investors' capacity to evaluate firm value and future performance.

The disaggregation of earnings components within the income statement has been the subject of extensive scholarly inquiry, elucidating their predictive and confirmatory value across diverse contexts. McGregor (2022) examined the impact of Accounting Standards Update (ASU) 2016-01 on the US insurance sector. Specifically, the study addressed the mandatory recognition of unrealized gains and losses on equity securities within income statements, contrasting this with the prior practice of reporting them in other comprehensive income (OCI). The findings revealed that this mandated inclusion attenuated the value relevance of earnings, particularly for entities with substantial equity investments. Consistent with this perspective, Giner and Reverte (1999) investigated the incremental value relevance of various components within the Spanish profit and loss statement for non-financial firms listed on the Madrid Stock Exchange from 1991 to 1995. Their research confirmed the value relevance of multiple earnings components; however, only the corporate taxes component exhibited additional informational value beyond net earnings. Conversely, financial profit and extraordinary earnings were found to offer no further incremental insights. Chen and Wang (2004) extended this line of analysis to the context of Chinese Generally Accepted Accounting Principles (GAAP), employing a sample of 2,202 firm-year observations from 1997 to 2000. They evaluated multiple earnings components, including operating income, investment income, government subsidies, asset revaluation gains and losses, non-operating income, and non-operating expenses. Their findings indicated that the value relevance of these components was contingent upon their persistence, thus establishing a noteworthy association between component durability and their informational content. Collectively, these studies underscore the nuanced role of specific earnings components in financial reporting. Their results demonstrate that while some components augment valuation, others may detract from it, contingent upon the context and firm-specific characteristics.

The persistence of earnings components is posited to influence their value relevance, as evidenced by several empirical studies. Beisland and Hamberg (2013) investigated the impact of earnings sustainability on the value relevance of accounting information. Their study, conducted within the Swedish context and encompassing 3,732 firm-year observations from 1983 to 2004, employed a measure designed to capture earnings continuity over multiple periods. They differentiated between sustainable and unsustainable earnings, the latter being characterized as emanating from non-recurring events. Their findings demonstrated that sustainable earnings components exhibit significantly greater value relevance

compared to their unsustainable counterparts. Complementing these results, Venter et al. (2014) compared the value relevance of earnings derived from South African Generally Accepted Accounting Principles (GAAP) against headline earnings, which are specifically defined to exclude non-recurring items. Their analysis concluded that headline earnings provided a superior level of value-relevant information compared to GAAP earnings, thus highlighting their increased informational content for investors. Collectively, these studies suggest that while aggregated income measures may not consistently offer salient insights, the transparent disclosure of sustainable earnings enhances the relevance and utility of accounting information.

Research Design

Empirical Models

To assess the relevance of accounting metrics for investors, a substantial body of research has examined the relationship between these metrics and market values, commonly referred to as market-based accounting research (Bhatia & Mulenga, 2019; Mostafa, 2016). A central area within this domain is the value relevance literature, which originated from the seminal works of Ball and Brown (1968) and Beaver (1968). These foundational studies investigated how stock prices respond to publicly disclosed accounting information, establishing the groundwork for the information approach to value relevance (Bhatia & Mulenga, 2019). Subsequently, Ohlson (1995) introduced a theoretical framework for analyzing the association between accounting metrics and either stock prices or stock returns, a perspective known as the measurement approach. In this approach, accounting measures are directly associated with stock prices or stock returns (Bhatia & Mulenga, 2019). This study adopts the measurement approach, employing a price model that represents stock prices as a linear function of both the book value of equity and aggregated earnings (Ali & Hwang, 2000; Harris et al., 1994; Hellström, 2006).

A number of scholars have posited that the value relevance of aggregate earnings as a single figure has diminished, prompting investors to focus more on its constituent components (Abuzayed et al., 2009). Furthermore, assessing the value relevance of earnings as an aggregated metric implicitly assumes that all earnings components possess equal value relevance (Beisland, 2009). However, evidence suggests that investors often evaluate earnings components differentially (Beisland, 2009). This study therefore adopts these perspectives to examine whether

key earnings components within the income statements of Syrian banks possess value relevance.

This study investigates both the incremental and relative value relevance of earnings components. Incremental value relevance is assessed by incorporating each earnings component into a regression model that includes the aggregate earnings figure, and subsequently examining the statistical significance of each component's coefficient. Relative value relevance is evaluated by comparing the explanatory power of two distinct models: one incorporating the aggregate earnings figure and the other incorporating a specific earnings component (Beisland, 2009). To mitigate potential heteroscedasticity arising from scale effects, the number of shares outstanding at year-end is employed as a deflator for all variables (Bepari et al., 2013; Burke & Wieland, 2017). Stock prices are adjusted for stock splits and dividends.

$$P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \varepsilon \quad (1)$$

$$P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 X + \varepsilon \quad (2)$$

$$P = \beta_0 + \beta_1 BVPS + \beta_3 X + \varepsilon \quad (3)$$

Let P represent the share price three months subsequent to the fiscal year-end. $BVPS$ denotes the book value of equity per share, EPS signifies earnings per share, and X corresponds to the chosen earnings component. To mitigate potential multicollinearity among earnings components, the value relevance of each component is assessed in isolation.²

The principal components of earnings within the income statements of Syrian private banks encompass net income from interest and fees, operating income, operating expenses, and unrealized gains and losses arising from the maintenance of capital in foreign currencies. Given the substantial influence of unrealized gains and losses on both gross operating income and net income, these figures are excluded from the analysis in order to mitigate potential multicollinearity effects. A pooled Ordinary Least Squares (OLS) regression technique, incorporating White's (1980) correction for heteroscedasticity in the variance of the residuals, is employed. The incorporation of three control variables into the regression model,

² It was initially planned to examine the value relevance of various earnings components within a single regression model. However, the presence of multicollinearity - indicated by high Variance Inflation Factor (VIF) values - suggested that this approach could produce biased results.

and the subsequent comparison of the results with those obtained from the original models, serves as a robustness test.

The study employs a pooled regression model rather than fixed or random effect models for several reasons. Firstly, it primarily investigates the average association between accounting information and market values, which is effectively captured by pooled regression. By introducing control variables that account for differences in bank characteristics, such as size, leverage, and liquidity hoarding, the model becomes more robust. This approach allows for a focused analysis of the average associations, helping to mitigate potential biases and enhance the validity of the findings. Moreover, given the nature of our statistical analysis, comparisons between panel models are not feasible, as the analysis seeks to determine whether the introduction of an additional independent variable enhances explanatory power or if its coefficient is statistically significant. Consequently, the study may not achieve its research objectives if comparing different panel models yields varying results for the best model. Furthermore, many key studies on the value relevance of accounting information have also utilized pooled regression, such as (Akbar et al., 2011; Burke & Wieland, 2017; Charitou et al., 2000; Giner & Reverte, 1999; Harris et al., 1994)

Table 1
Variables of the Study

Variable	Definition	Measurement	Type
P	Share price	Share price recorded at the end of the third month after year-end	Dependent
BVPS	Book value per share	Book value of equity divided by the numbers of shares outstanding at year-end	Independent
EPS	Earnings per share	Net income divided by the number of shares outstanding at year-end	Independent
NIFPS	Net income from interest and fees	Net income from interest and fees divided by the number of shares outstanding at year-end	Independent
UGLPS	Unrealized gains and losses per share	Unrealized gains and losses from holding capital in foreign currencies divided by the number of shares outstanding at year-end	Independent
GIPS	Gross income per share	Gross operating income divided by the number of shares outstanding at year-end	Independent

Cont. Table 1
Variables of the Study

Variable	Definition	Measurement	Type
SIZE	The size of the bank	Natural logarithm (ln) of total assets	Control
Leverage	The financial leverage of the bank	Total liabilities divided by total equity	Control
LIQ	The level of the liquidity of the bank	Net loans divided by customer deposits	Control

Sample and Data Collection

The population of listed banks on the Damascus Stock Exchange consists of 15 institutions, including 4 Islamic banks. For this study, the Islamic banks were excluded from the analysis, resulting in a final sample of 11 conventional banks selected through purposive sampling to focus on those most representative of the current banking landscape. The temporal scope of this study spans from 2010 to 2022, yielding a total of 143 bank-year observations. This comprehensive temporal coverage facilitates an examination of the effects of the Syrian revolution on the value relevance of earnings components during this period.

The data utilized for this study was manually extracted from the annual reports of Syrian private banks, publicly accessible in PDF format. Specifically, the data was sourced from reputable institutions: the Damascus Stock Exchange (accessible at <http://www.dse.gov.sy/>) and the Syrian Commission of Financial Markets and Securities (available at <https://www.scfms.sy/>). Careful attention was given to ensure accuracy during the extraction process to maintain the integrity of the analysis.

Table 2
Syrian Private Banks

No	Banks' Name	Started	Number of Branches
1	Banque Bemo Saudi Fransi	2004	40
2	Syria Gulf Bank	2007	11
3	The International Bank for Trade & Finance	2004	29
4	Bank of Syria & Overseas	2004	30
5	Arab Bank- Syria	2006	14

Cont. Table 2
Syrian Private Banks

No	Banks' Name	Started	Number of Branches
6	Ahli Trust Bank- Syria	2005	18
7	Bank Byblos-Syria	2005	11
8	Fransabank-Syria	2009	11
9	Bank of Jordan-Syria	2008	12
10	Bank Al-Sharq	2009	9
11	Qatar National Bank-Syria	2009	10

Results

Descriptive Statistics

As presented in Table 3, the average earnings per share (AEPS) demonstrates a negative value when unrealized gains and losses per share (UGLPS) are excluded from reported earnings. This reflects the challenging performance and financial constraints experienced by Syrian banks during the period under analysis. Furthermore, the average gross operating income per share (AGIPS) is observed to be closely aligned with the average operating expenses per share (OEPS), indicating that, on average, these institutions generated revenue that was only marginally sufficient to offset their operating costs. This observation raises concerns regarding the sustainability of their operational activities. It is pertinent to note that the elevated average of unrealized gains and losses per share (UGLPS) is predominantly influenced by substantial fluctuations in exchange rates and, thus, does not accurately reflect the performance of managerial strategies. This underscores the significant impact of external factors on financial indicators.

Table 3
Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max
BVPS	143	471.8582	529.7031	5.681518	2438.334
EPS	143	-1.521475	55.77584	-196.9511	202.0993
NIFPS	143	97.88633	150.5984	-7.927127	1012.167
UGLPS	143	194.296	329.9207	-94.31069	1352.554

Cont. Table 3
Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max
GIPS	143	112.3256	164.8306	-8.786155	1167.907
OEPS	143	110.7692	149.4583	1.064743	1164.866
SIZE	143	25.2396	1.060584	22.94089	28.27086
Leverage	143	6.247932	7.919371	0.2621985	82.68007
LIQ	143	0.3964317	0.2421915	0.0378583	1.396051

Table 4 presents the Pearson correlation coefficients, elucidating noteworthy associations between the financial metrics under analysis. The substantial correlation of 0.98 between adjusted gross operating income and net income from interest and fees suggests that Syrian banks primarily derive their income from conventional banking activities, predominantly credit provision. Furthermore, the strong positive correlations observed between operating expenses and both gross operating income and net income from interest and fees, indicate significant screening and monitoring costs associated with lending activities. Consistent with Sufian (2009), this suggests that loans typically incur the highest operating expenses; and given that lending constitutes the principal revenue source for Syrian banks, an expansion in lending activities would, therefore, likely lead to a commensurate increase in both income and operating expenses.

The analysis indicates that the principal determinants of banks' earnings are net income from interest and fees, unrealized gains and losses resulting from the revaluation of structural foreign currency positions, and operating expenses. Gross operating income is excluded from the regression models due to its composite nature, which is solely comprised of net income from interest and fees.

Table 4
Correlation Matrix

Variable	P	BVPS	EPS	NIFPS	UGLS	GIPS	OEPS	SIZE	LEV- ERAGE	LIQ
P	1.0000									
BVPS	0.7114*	1.0000								
EPS	0.4621*	0.1367	1.0000							
NIFPS	0.7426*	0.5713*	0.3963*	1.0000						

Cont. Table 4
Correlation Matrix

Variable	P	BVPS	EPS	NIFPS	UGLS	GIPS	OEPS	SIZE	LEV- ERAGE	LIQ
UGLPS	0.3703*	0.4647*	-0.0432	0.4053*	1.0000					
GIPS	0.7464*	0.5920*	0.3668*	0.9823*	0.4335*	1.0000				
OEPS	0.5894*	0.5812*	-0.0017	0.8896*	0.4811*	0.9207*	1.0000			
SIZE	0.6414*	0.5963*	0.3080*	0.6174*	0.6167*	0.7202*	0.5530*	1.0000		
Leverage	-0.1049	-0.2102*	-0.0238	-0.0191	-0.2362*	-0.1929*	-0.0355	-0.1342	1.0000	
LIQ	-0.0034	-0.1551	0.0437	-0.0282	-0.2296*	-0.1904*	-0.0744	-0.4411*	-0.0721	1.0000

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$.

Regression Results

The regression results presented in Table 5 reveal that both BVPS (book value of equity per share) and EPS (earnings per share) have statistically significant coefficients in the model. The model accounts for 64.17% of the variance in stock prices. Furthermore, the overall model is statistically significant, with an F -statistic of 33.15 and $\text{Prob} > F = 0.000$, indicating a strong relationship between market values and both equity and earnings.

Table 5
Regression Results of the Basic Model

Model (1) $P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \varepsilon$	
Variable	Coef. (p -value)
BVPS	0.8932144** (< 0.001)
EPS	4.775062** (0.001)
$R^2 = 0.6417$ $F(2, 140) = 33.15$ $\text{Prob} > F = 0.0000$	

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

The analysis presented in Table 6 indicates that incorporation of net income from interest and fees into the regression models has demonstrably enhanced their explanatory power. Specifically, in Panel A, Model (2) reveals that the inclusion of net income from interest and fees per share (NIFPS) alongside earnings per

share (EPS) has significantly increased the model's capacity to explain variations in stock prices, as evidenced by an adjusted R^2 of 0.7249. The statistically significant coefficient for NIFPS ($p = 0.016$) suggests that this component contributes incremental value relevance beyond that provided by EPS. Furthermore, in Panel B, Model (3) substitutes earnings per share (EPS) with net income from interest and fees per share (NIFPS), resulting in an augmented R^2 value of 0.6738 compared to the original model's R^2 of 0.6417. Thus, net income from interest and fees is demonstrated to be relatively more value-relevant in explaining stock price variations compared to aggregate earnings. The statistically significant coefficient for NIFPS ($p = 0.008$) further substantiates the enhanced value relevance of net income from interest and fees within the model.

Table 6
Regression Results of Models with Net Income from Interest and Fees

Panel A		
Model (2) $P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 NIFPS + \varepsilon$		
Variable	Coef. (<i>p</i>-value)	
BVPS	0.6210039** (< 0.001)	
EPS	3.184527** (< 0.001)	
NIFPS	1.816851* (0.016)	
$R^2 = 0.7249$	$F(3, 139) = 28.31$	$\text{Prob} > F = 0.0000$
Panel B		
Model (3) $P = \beta_0 + \beta_1 BVPS + \beta_2 NIFPS + \varepsilon$		
Variable	Coef. (<i>p</i>-value)	
BVPS	0.57635** (0.001)	
NIFPS	2.37393** (0.008)	
$R^2 = 0.6738$	$F(2, 140) = 34.52$	$\text{Prob} > F = 0.00003$

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

As presented in Table 7, unrealized gains and losses per share (UGLPS) demonstrate a statistically significant coefficient in both models, suggesting that they provide additional informational content for investors. In Panel A, Model (4), which includes UGLPS and earnings per share (EPS), the coefficient for UGLPS is statistically significant ($p = 0.024$), indicating that UGLPS contributes incremental value relevance to the model. However, in Panel B, Model (5), where UGLPS substitutes for earnings per share (EPS), a reduction in the adjusted R -squared value to 0.5081 is observed, compared to the original model's R^2 of 0.6417. Consequently, while UGLPS do provide valuable information, they are comparatively less value-relevant than an aggregated earnings metric. The coefficient for UGLPS in Model (5) is not statistically significant ($p = 0.433$), further corroborating the notion that UGLPS may have a reduced impact on explaining variations in stock prices.

Table 7
Regression Results of Models with Unrealized Gains and Losses

Panel A		
Model (4) $P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 UGLPS + \varepsilon$		
Variable	Coef. (p-value)	
BVPS	0.8265347*** (< 0.001)	
EPS	4.918618*** (< 0.001)	
UGLPS	0.2232356** (0.024)	
<hr/>		
$R^2 = 0.6499$	$F(3, 139) = 38.12$	Prob $> F = 0.0000$
Panel B		
Model (5) $P = \beta_0 + \beta_1 BVPS + \beta_2 UGLPS + \varepsilon$		
Variable	Coef. (p-value)	
BVPS	0.9300694** (< 0.001)	
UGLPS	0.1100874 (0.443)	
<hr/>		
$R^2 = 0.5081$	$F(2, 140) = 33.28$	Prob $> F = 0.0000$

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

The coefficient for operating expenses per share (OEPS) in Model (6), Panel A (Table 8), is statistically significant ($p = 0.008$), indicating that operating expenses provide incremental value relevance beyond that of earnings. Consistent with this, Jaggi and Zhao (2002) also reported a significant association between stock returns and operating expenses, highlighting the crucial role of operating expenses in maintaining operational capacity and assessing banks' efficiency in loan processing. While Jaggi and Zhao (2002) reported a negative relationship, the positive correlation observed in this study between operating expenses and stock prices may be attributable to the strong interrelationship between operating expenses and earnings. The diminished adjusted R^2 value of 0.5528 in Model (7), Panel B, as compared to the original model's R^2 of 0.6417, suggests that operating expenses are comparatively less influential than earnings in explaining stock price variations.

Table 8
Regression Results of Models with Operating Expenses

Panel A	
Model (6) $P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 OEPS + \varepsilon$	
Variable	Coef. (<i>p</i>-value)
BVPS	0.6413586** (< 0.001)
EPS	5.108636** (< 0.001)
OEPS	1.50658** (0.008)
$R^2 = 0.7065$ $F(3, 139) = 30.05$ $\text{Prob} > F = 0.0000$	
Panel B	
Model (7) $P = \beta_0 + \beta_1 BVPS + \beta_2 OEPS + \varepsilon$	
Variable	Coef. (<i>p</i>-value)
BVPS	0.7531575** (< 0.001)
OEPS	1.273146* (0.026)
$R^2 = 0.5528$ $F(2, 140) = 31.14$ $\text{Prob} > F = 0.0000$	

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

This study adopts a methodology consistent with prior literature (Acaran-upong, 2017; Akbar et al., 2011; Berrios, 2013; Petria et al., 2015; Ragab & El-Chaarani, 2018; Tahat & Alhadab, 2017) by incorporating control variables for firm size (the natural logarithm of total assets), leverage (total liabilities divided by total equity), and liquidity hoarding (the ratio of net loans to customer deposits). Size (ln total assets) is commonly used in financial studies to account for firm size, as larger firms may exhibit different performance characteristics compared to smaller firms. Including size helps ensure that the observed effects are not confounded by the scale of the institutions under study. The leverage ratio is critical for understanding the financial stability and risk profile of banks. High leverage can amplify the effects of economic variables on a bank's performance, making it a necessary control. The study specifically incorporates liquidity hoarding due to the unique circumstances of Syrian banks, which, unlike many of their counterparts globally, are not significantly exposed to liquidity risk. This behavior is essential to understand in this context, as it affects the banks' operational and financial dynamics. While other variables could also be considered, I focused on these three controls as they are particularly relevant to the Syrian banking environment and align with the existing literature regarding bank performance. As a robustness check, the set of regression models was re-estimated with the inclusion of these control variables, and the results were subsequently compared to those obtained from the original models. The un-tabulated results of this robustness check were consistent with those of the original models. Tables 9, 10, and 11 present the results of the main model (1), along with the models incorporating net income from interest and fees. Additional results are available upon request.

Table 9
Regression Results of the Main Model, Including Control Variables

Model (8)	
$P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 SIZE + \beta_4 Leverage + \beta_5 LIQ + \varepsilon$	
Variable	Coef. (p-value)
BVPS	0.6848091** (< 0.001)
EPS	3.484674** (< 0.001)

Cont. Table 9
Regression Results of the Main Model, Including Control Variables

Model (8)	
$P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 SIZE + \beta_4 Leverage + \beta_5 LIQ + \varepsilon$	
Variable	Coef. (p-value)
SIZE	248.2602** (0.003)
Leverage	6.689816+ (0.066)
LIQ	682.6427* (0.022)
$R^2 = 0.7129$ $F(5, 137) = 22.55$ $\text{Prob} > F = 0.0000$	

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

Table 10
Regression Results of the Model after Adding Net Income from Interest and Fees, Including Control Variables

Model (9)	
$P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 NIFPS + \beta_4 SIZE + \beta_5 Leverage + \beta_6 LIQ + \varepsilon$	
Variable	Coef. (p-value)
BVPS	0.5635193** (< 0.001)
EPS	2.778897** (< 0.001)
NIFPS	1.347391* (0.036)
SIZE	154.003** (0.007)
Leverage	3.219871+ (0.099)

Cont. Table 10
Regression Results of the Model after Adding Net Income from Interest and Fees, Including Control Variables

Model (9)		
$P = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 NIFPS + \beta_4 SIZE + \beta_5 Leverage + \beta_6 LIQ + \varepsilon$		
Variable	Coef. (p-value)	
LIQ	481.9498** (0.029)	
<hr/>		
$R^2 = 0.7488$	$F(6, 136) = 18.97$	$Prob > F = 0.0000$

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

Table 11
Regression Results after Replacing Earnings Per Share with Net Income from Interest and Fees, Including Control Variables

Model (10)		
$P = \beta_0 + \beta_1 BVPS + \beta_2 NIFPS + \beta_3 SIZE + \beta_4 Leverage + \beta_5 LIQ + \varepsilon$		
Variable	Coef. (p-value)	
BVPS	0.5024301** (0.002)	
NIFPS	1.703665* (0.022)	
SIZE	194.9931** (0.003)	
Leverage	2.9637 (0.166)	
LIQ	574.0356* (0.024)	
<hr/>		
$R^2 = 0.7114$	$F(5, 137) = 19.23$	$Prob > F = 0.0000$

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

Discussion

The regression analysis conducted in this study underscores the significance of banks' earnings components in providing value-relevant information for Syrian investors. This finding is consistent with prior research emphasizing the pivotal role of granular earnings reporting in augmenting investors' capacity to assess firm value and predict future performance. For example, Abou-El-Sood (2023) observed that operating cash flows exhibit greater value relevance than aggregate earnings, while Kumari and Mishra (2020) demonstrated that disaggregated earnings consistently provide superior explanations of market values. Furthermore, Akbar et al. (2011), in their analysis of UK non-financial firms, revealed that cash flows and total accruals possess greater value relevance than aggregated earnings, reinforcing the importance of these components for investors. Similarly, Garrod et al. (2000) confirmed the value relevance of disaggregated earnings, highlighting that earnings components offer greater explanatory power than aggregated earnings.

This study, which focuses on earnings components within the income statement, is consistent with the findings of other researchers, including Chen and Wang (2004), Giner and Reverte (1999), and McGregor (2022), thereby demonstrating the value relevance of distinct earnings components as reported in the income statement. The findings of the current research indicate that net income from interest and fees possesses incremental value relevance beyond aggregate earnings, signifying its importance for the sustainable performance of Syrian private banks. Furthermore, this component may be classified as a sustainable metric, a conclusion that is corroborated by studies emphasizing earnings persistence, such as those conducted by Beisland and Hamberg (2013) and Venter et al. (2014).

Although unrealized gains and losses per share (UGLPS) demonstrate incremental value relevance beyond aggregate earnings, their relative impact is limited, suggesting that investors are cognizant of, but not heavily reliant upon, this metric in their evaluations. This observation is consistent with McGregor's (2022) findings, which focused on the implications of Accounting Standards Update (ASU) 2016-01 for the US insurance sector. McGregor's study revealed that the mandated inclusion of unrealized gains and losses attenuated the value relevance of earnings, particularly within firms that held substantial equity investments.

Furthermore, operating expenses also exhibit incremental value relevance, underscoring their potential implications for operational efficiency analysis. Im-

portantly, earnings components are generally less susceptible to manipulation, a point emphasized by Burlacu et al. (2024), who demonstrated that earnings management undermines the reliability and value relevance of aggregated earnings.

In light of these findings, regulators should consider advocating for enhanced disclosure practices and standardized reporting of disaggregated earnings components, thereby facilitating more informed decision-making processes for investors. Furthermore, investors should prioritize cash flow information as a key metric for evaluating long-term sustainability and performance within the banking sector.

In summary, this study contributes to the extant body of knowledge by illustrating the importance of earnings disaggregation for investor assessment and signaling the need for proactive regulatory measures aimed at promoting transparency and reliability in financial reporting.

This study is limited by several factors that may affect the generalizability of its findings. Firstly, the research focuses exclusively on Syrian private banks and their financial data; thus, the results may not be applicable to banks in other markets with differing economic conditions. Additionally, the analysis relies on manually extracted data, which could introduce human error or inconsistencies in the financial information. The period under study (2010-2022) includes significant political and economic unrest in Syria, which may influence investor behavior and the stability of earnings components, potentially skewing results. Overall, while the study provides valuable insights, these limitations should be considered when interpreting the findings and their implications for investor decision-making.

Conclusion

This study assessed the relative and incremental value relevance of distinct earnings components within the income statements of Syrian banks, as compared to aggregate earnings. This objective was achieved through the manual collection of data from publicly available annual reports, followed by an analysis of the primary earnings components and an investigation of potential multicollinearity among them. A price model, grounded in the theoretical framework proposed by Ohlson (1995), was employed to evaluate the value relevance of these distinct earnings components. Utilizing a pooled Ordinary Least Squares (OLS) regression technique incorporating White's (1980) correction for heteroscedasticity, the coefficients of the models were estimated. The findings indicated that net income from interest and fees demonstrated both incremental and relative value-relevant

information compared to aggregate earnings, underscoring its value relevance for investors. Unrealized gains and losses per share (UGLPS) and operating expenses per share (OEPS) were found to be value relevant only when considered in conjunction with aggregate earnings.

This study highlights the critical importance of disaggregated earnings components in the evaluation processes employed by Syrian investors. Our findings reinforce the notion that a granular approach to earnings reporting significantly augments investors' capacity to assess firm value and make informed investment decisions. Furthermore, the analysis clearly demonstrates that specific earnings components, such as net income from interest and fees and operating cash flows, provide essential insights beyond that conveyed by aggregate earnings.

Moreover, this research aligns with the extant literature that underscores the value relevance of disaggregated information, thereby validating the need for regulators to promote transparent and comprehensive financial reporting standards within the banking sector. By advocating for enhanced disclosure practices, regulators can empower investors with the information necessary to identify sustainable performance and effectively mitigate risks.

Investors are, therefore, encouraged to prioritize the evaluation of specific earnings components, as these metrics reflect the underlying financial health and long-term viability of financial institutions. Conversely, regulators should work towards implementing frameworks that facilitate the consistent reporting of disaggregated earnings, thereby fostering a more reliable investment environment.

Future research could focus on comparing the value relevance of various earnings components across diverse industries, thus helping to establish whether the significance of these components is consistent or varies by sector. A comparative study of earnings disaggregation in emerging markets, alongside developed markets, could yield valuable insights into the effects of economic maturity on investor preferences. Additionally, examining investor responses to earnings components in diverse cultural contexts can reveal how regional factors influence the assessment of financial information. Furthermore, this research could investigate potential differences between institutional and individual investors in their reliance on specific earnings metrics, providing a more nuanced understanding of their respective decision-making processes. Such comparative analyses would contribute to a more comprehensive understanding of earnings components and their impact on investor behavior across diverse economic and cultural environments.

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Haidar Haidar is an Associate Professor in the Accounting Department at Latakia University. He holds a Ph.D. Diploma II from Kassel University, Germany. With over 10 years of teaching experience, he specializes in financial accounting and institutions. He has supervised numerous theses and published research in Arabic and English. (hhaidar1900@gmail.com) (haidar.haidar@tishreen.edu.sy)

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