ASSESSING IFRS IMPLEMENTATION EFFECTS ON VALUATION OF JORDANIAN INSURANCE COMPANIES: “RISK MITIGATION STRATEGIES"

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Abstract - This study endeavors to highlight the significance of adhering to international financial reporting standards in mitigating corporate risks and its consequential influence on the valuation of Jordanian insurance companies listed on the Amman Financial Market. Using a quantitative approach for financial statement analysis, data were extracted from the Amman Financial Market. The findings reveal that, on average, insurance companies listed in the Amman Financial Market adhered to international financial reporting standards at a rate of 77%. Among these standards, the policy pertaining to cash flow risk management was the most frequently implemented, with a utilization rate of 50%, followed by the fair value risk policy at 40%. Importantly, this study detected a statistically significant impact of international financial reporting standards on the valuation of insurance companies. Moreover, it established a positive correlation between the Implementation of international financial reporting standards methods, including cash flows, fair value, and net foreign investment, and the valuation of insurance companies listed on the Amman Financial Market.

Keywords - Financial Reporting , Insurance companies , Financial Position , Jordan .

I. INTRODUCTION

The importance of implementing international financial reporting standards has gained prominence due to the increasing globalization, the cross-border flow of goods and capital, and the unpredictable fluctuations in global markets (Reference).. These factors have heightened the exposure of investors, companies, and individuals to non-traditional risks, such as rapid changes in exchange rates and their subsequent impact on the present value of expected future cash flows. This, in turn, can have adverse effects on a company's overall value, presenting a real challenge for these businesses. Consequently, they are compelled to confront these risks and seek effective methods to mitigate or avoid them(Reference).

In response to these challenges, international markets and companies have pioneered innovative financial instruments and modern techniques. Among these, financial derivatives have emerged as one of the most significant tools, experiencing growth, development, and widespread adoption by companies. Their primary objective is to safeguard against various risks, including exchange rate fluctuations, interest rate variations, and soaring commodity prices. These financial instruments provide companies with the means to hedge against unforeseen changes, thus reducing potential losses. This is especially critical in the context of foreign exchange rate fluctuations, impacting payments and receipts in international trade (Tariq, 2017). Therefore, it is important to address that the adoption of International Financial Reporting Standards (IFRS) came as a critical response to the challenges posed by the globalized financial landscape. IFRS represents a set of accounting standards that aim to provide a common language for financial reporting on a global scale It seeks to enhance transparency, comparability, and consistency in financial reporting across different countries, enabling stakeholders to make informed decisions and manage risks more effectively(reference).

Given that a company's core mission is to maximize the wealth of its owners, a goal achieved through increasing the company's overall value, particularly through financial investments, this study aims to investigate the effect of Jordanian insurance companies' adoption of international financial reporting standards in mitigating financial risks and enhancing their value.

II. RESEARCH PROBLEM

The study revolves around the financial risks that companies encounter when investing in financial instruments to maximize their profits and enhance their market value. It delves into the extent to which Jordanian insurance companies implement the policies of international financial reporting standards as a means to address these risks and assesses the influence of these policies on their overall value. Therefore, this study seeks to address the following primary research question:

- What is the effect of adoption of international financial reporting standards on the valuation of insurance companies listed on the Amman Financial Market?

This primary question gives rise to the following subsidiary inquiries:

1. How does cash flow risk impact the valuation of insurance companies listed on the Amman Stock Exchange?
2. What is the effect of fair value risk on the valuation of insurance companies listed on the Amman Stock Exchange?
3. How does the risk associated with net foreign investments influence the valuation of insurance companies listed on the Amman Stock Exchange?

III. SIGNIFICANCE OF THE STUDY

The significance of this study lies in its ability to illustrate effective risk management strategies for Jordanian insurance companies, ultimately reducing the volatility associated with their financial investment activities. Through the utilization of International Financial Reporting Standards, the research highlights the role these accounting standards play in enabling management to execute financial operations with the objective of mitigating risks, measuring, disclosing profits and losses and selecting optimal timing for the disclosure of these components. Importantly, this research emphasizes that such actions should be taken without any adverse repercussions on their business results and, consequently, their market value. Furthermore, the study sheds light on the extent of awareness among Jordanian insurance companies regarding the objectives of IFRS 9.

Study Objectives

The primary objectives of this study are as follows:

1. To provide a clear understanding of international financial reporting standards.
2. To assess the extent to which Jordanian insurance companies implement these standards as a means of managing risks arising from their investments and operations.
3. To expound upon the policies embedded within IFRS 9, including cash flow, fair value, and net investment policies, and to elucidate their practical application.
4. To investigate the impact of applying each of these policies on the valuation of Jordanian insurance companies.
5. To identify the specific methods that are predominantly used and have the most significant influence on the value of the companies within the study sample.

IV. STUDY HYPOTHESES

In alignment with the study's problem and research questions, the study's hypotheses are as follows:

Main Hypothesis:

There is no statistically significant effect, at the 5% significance level, of international financial reporting standards, along with their dimensions (cash flows, fair value, net foreign investments), on the valuation of insurance companies listed on the Amman Stock Exchange.

These hypotheses encompass the following subsidiary assertions:

- There is no statistically significant effect, at the 5% significance level, of cash flow risk on the valuation of insurance companies listed on the Amman Stock Exchange.
- There is no statistically significant effect, at the 5% significance level, of fair value risk on the valuation of insurance companies listed on the Amman Stock Exchange.
- There is no statistically significant effect, at the 5% significance level, of net foreign investment risk on the valuation of insurance companies listed on the Amman Stock Exchange.

Theoretical Framework

-Understanding the Notion of International Financial Reporting Standards (IFRS) and Its Significance:
The realm of international financial reporting standards holds paramount importance in the realm of modern finance and risk management. In response to the ever-evolving financial landscape, various technologies have been developed to aid companies and investors in safeguarding their investments against potential risks. Recent financial innovations have been instrumental in reshaping the global financial system, particularly through the emergence of derivatives markets. These markets offer versatile tools to assist companies in adhering to international financial reporting standards while effectively mitigating a myriad of risks, including those stemming from fluctuations in interest rates, commodity prices, or currency exchange rates.(Reference)

International Financial Reporting Standards (IFRS), as described by Bodie et al. (2002), function as a safeguard against potential losses incurred from prior actions. IFRS serves as a preemptive measure to minimize losses, converting potential losses into profits and mitigating minor profits into substantial gains. A concise definition of IFRS characterizes it as "transactions involving the sale, purchase, or contracting of a specific asset in the future to offset profits or losses resulting from price fluctuations in that asset." This concept closely resembles insurance, as it addresses known, certain losses in exchange for protection against potentially unknown, extensive losses (Madura & Fox, 2007).

Management often turns to IFRS accounting as a risk management strategy, employing one or more financial derivatives and hedging tools to counteract

changes in the fair value or cash flows associated with financial assets or obligations. The IFRS tool of choice often revolves around financial derivatives. In the context of non-derivative financial assets or obligations, financial instruments can also serve as effective hedging tools to manage exchange rate risk. IFRS, as described by Abu Nassar and Hamidat (2019), offers a framework to reduce risk for management by allowing for adjustments in asset valuations to minimize cash flow volatility, thereby diminishing irregular risks.

IFRS serves as a financial policy adopted by institutions to contend with risks that can potentially undermine their operations and activities. The allure of IFRS is underscored by several compelling factors, as cited by Brealey et al. (2001). Notably, the cost associated with IFRS operations is relatively low and, in certain instances, may even amount to zero if the forward exchange rate aligns with the future current exchange rate. The efficacy of exchange markets, particularly those involving major currencies, is well-regarded for their efficiency. This efficiency minimizes costs when management is highly proficient in its operations. Thus, IFRS policies are a vital instrument for companies seeking to navigate a dynamic financial landscape while optimizing their risk management practices.

Categories of International Financial Reporting Standards (IFRS):

IFRS 9 encompasses three distinct categories of IFRS, each designed to address specific financial concerns:

1. Fair Value Hedging, this category focuses on mitigating changes in the fair value of a financial asset or liability that can impact the financial position and affect the income statement. Essentially, it is a mechanism employed to hedge against risks that can influence the financial outcome of a particular business project, either in terms of profit or loss. Any profit or loss resulting from alterations in the fair value of the IFRS instrument is duly recognized in the income statement. This encompasses changes in the book value of the asset or the hedged liability, effectively covering the associated risks.
2. Cash Flow Hedging, is aimed at reducing the risks associated with future cash flows related to a company's assets and liabilities. It serves as a safeguard within international financial reporting standards against risks stemming from anticipated fluctuations in future cash flows. This is achieved through the use of a hedging instrument, which is a financial transaction that influences net income. Cash flow hedging is further categorized into various subtypes:

- International Financial Reporting Standards for a fixed obligation not initially recorded in the company's financial position, which will subsequently become an asset in foreign currency.
- International Financial Reporting Standards for a firm obligation denominated in the local currency, effectively converting a variable interest rate loan into a fixed interest rate loan.
- International Financial Reporting Standards for the issuance of bonds for subscription at high interest rates (Al-Ghazouzi, 2011).

3. Hedging the Net Investment of Foreign subsidiaries, this category primarily addresses international financial reporting standards concerning the risks associated with fluctuations in exchange rates, especially for foreign subsidiaries. It focuses on safeguarding net income from the impact of these fluctuations by managing risks through adjustments to deposits and financial loans made without prior planning for short-term repayment. These loans are typically executed between two companies (Halifax, 2012).

Moreover, companies need to consider a range of issues that influence their strategies related to international financial reporting standards and risk management. These factors encompass:

A. Impact of International Financial Reporting Standards on Multinational Companies. Multinational corporations must balance between allocating of resources for production and sales while concurrently addressing potential exchange rate fluctuations through international financial reporting standards.
B. Cost Considerations in Derivatives and Financial Markets. The cost of implementing international financial reporting standards varies and is the discrepancy between the value generated by IFRS and the company's risk exposure. It depends on transaction costs when estimating expenses for risk mitigation in financial markets. The alignment of interest rates, forward exchange rates, and options is essential, as they are interconnected decisions (Hiren, 2014).
C. Decisions Concerning Risks in Financial Derivatives. The management's decisions regarding financial derivatives, especially options contracts, play a critical role in managing risk. These decisions should address and navigate the challenges associated with these risks. Utilizing futures contracts, for instance, opens new avenues for risk management and analysis, encompassing traditional financial instruments and the segmentation of risks such as foreign exchange rate fluctuations, interest rate variations, and market fluctuations. These practices also contribute to ensuring assets are sold at prices exceeding the strike price, especially in the event of declining market values. This results from forward purchases in

the futures markets balanced by sales in the current money markets (Al-Ardhi, 2010). Many companies seeking to manage international financial reporting standards concerning foreign exchange rates and their equity investments in foreign branches often resort to purchasing futures contracts, which are considered the most effective means to mitigate the volatility of foreign exchange returns. Multinational companies can use these contracts to hedge against currency associated with their accounts receivable (Madura, 2003).

Furthermore, management aims to achieve specific objectives within the financial markets:

A. Maximizing Owner's Wealth, achieving this objective involves increasing the present value and continuity of the company, representing a pivotal indicator of management's efficiency. To fulfill this goal, management utilizes tools such as net present value to estimate and assess cash flows. These cash flows serve as criteria for evaluating management decisions and accounting profits. Management also strives to maximize the market value of the company's stock by providing essential information to financial markets users (Al-Shabib, 2007).
B. Maximizing the Company's Financial Value, the optimization of profitability serves as a gauge for assessing a company's operational performance. Maximizing profitability indicates the economic efficiency of the organization, necessitating decisions aimed at enhancing resource productivity. Nevertheless, from a financial perspective, maximizing profits is insufficient due to its failure to account for investment risks, the time value of money, and calculation ambiguities. In contrast, maximizing the financial value of the company hinges on financial decisions linked to investment and financing, with returns contingent upon associated investment risks (Akl, 2008).
C. Maximizing the Market Value of Company Shares, prioritizing this objective is prevalent among most companies as it safeguards their shares from depreciation in financial markets and shields them from acquisition attempts. Achieving this goal necessitates enhancing operational efficiency at minimal costs while offering high-quality services and goods at competitive prices. It also requires ongoing technological development to promptly cater to consumer needs (Al-Zubaidi, 2008).
D. Maximizing the Company's Market Value. This goal centers on amplifying the market value of the company's shares, which influences returns and risk flows. The company must strike a balance between returns and risks to achieve the highest possible value. Prioritizing the value of shares per se takes precedence over maximizing profit, considering factors like the time value of money, investment risks, wealth maximization, and social responsibility. This goal is inextricably linked to maximizing the wealth of owners by creating wealth through financial decisions affecting share values in financial markets, rather than focusing solely on per-share profits. The value of a share serves as an indicator of the company's reputation and image in the eyes of consumers. This underscores the efficiency of management decisions. Maximizing the company's value goal also receives considerable attention as it is closely tied to expected return timing and the associated risks, ultimately contributing to enhanced social welfare reflected in consumption patterns (Al-Nuaimi and Al-Kharsha, 2007).

The Connection Between Company Value and International Financial Reporting Standards:

Companies seek to maximize owner's wealth, viewing it as a yardstick for success and sustainability. To achieve this objective, companies must enhance the value of their shares in financial markets. Hence, companies strive to make informed and prudent decisions to maintain or increase their share prices, with a particular focus on adopting International Financial Reporting Standard No. (9) policies as a means to compensate for potential losses that could result from various transactions such as futures and asset purchases or sales. These policies aim to recognize profits and losses stemming from these transactions to enhance or at least maintain market value. For instance, insurance companies within the study sample utilize fair value hedges to counteract fluctuations in the fair value of assets or obligations, thereby impacting net income and comprehensive income. Others adopt cash flow hedging policies to mitigate the risks associated with future cash flows from customer contracts and their resulting obligations. This helps safeguard against anticipated fluctuations in future cash flows. Furthermore, international financial reporting standards for net foreign investments are employed to reduce the risk of exchange rate fluctuations, ensuring the protection of net income from the impact of such fluctuations by hedging against these risks.
Reviewing prior research in the realm of international financial reporting standards, we have come across several noteworthy studies that have guided the methodology of this study, offering valuable insights and contributing to the broader scientific understanding of the subject matter.

A study conducted by Abdul Sattar in 2016, the focus was on futures contracts and their utilization in the context of international financial reporting standards. The study found that futures contracts could effectively serve as hedging tools against risks related

to fluctuations in interest rates in financial markets. Consequently, companies embraced the strategy of international financial reporting standards to manage these risks. Recommendations included the adoption of forecasting methods, such as statistical and mathematical approaches, along with operations research, and the use of computer programs to enhance risk mitigation. While Azi in 2017 aimed to demonstrate the effectiveness of accounting for international financial reporting standards in reducing discrepancies that may arise in income statements when these standards are implemented, the study underscored the significance of the accounting aspect, along with the financial aspect, to provide a clear depiction of risk coverage transactions and their impact on financial statements, it called for a stronger focus on updated documents related to accounting standards and international financial reports, emphasizing measurement and risk disclosure in alignment with international financial reporting standards. Tabaibia in 2009, assessed the financial performance of insurance companies through financial analysis, employing various financial ratios such as solvency, liquidity, and yield ratios., he indicated that profitability is a key criterion used by insurance companies to make decisions related to future activities. It called for the establishment of a supervisory system aimed at evaluating the performance of insurance companies through various methods, particularly financial analysis. Additionally, the study recommended the enactment of legislation related to insurance activities to create a competitive environment. Zaher and Dribati's study in 2011 aimed to identify the primary obstacles faced by public and private insurance companies in the Syrian coast. The research explored the relationship between factors such as qualification and training, economic impacts, the financial system, the judicial system, and the level of performance in insurance companies. The study revealed positive correlations between qualification and training, the judicial and financial system, and performance levels in insurance companies. However, it indicated an inverse relationship between economic influences and performance levels. The study also identified significant differences between public and private insurance companies in terms of qualification and training, economic effects, the effectiveness of the judicial system, the financial system, competitive positioning, and overall performance. Other research conducted by Kohling & Posch in 2018 investigated the relationship between international financial reporting standards and the value of German industrial companies. It highlighted the impact of international financial reporting standards on fair value and net foreign investment, resulting in a notable increase in company value. The study found that the benefits of IFRS accounting exceeded its costs. Garba & Abubakar's study in 2010 explored the relationship between board member diversity and the financial performance of insurance companies listed on the Nigerian market, they found that the diversity of board members in terms of gender and foreign management had a positive impact on the financial performance of insurance companies.

These previous studies have provided a solid foundation for the current study and have contributed to the broader understanding of international financial reporting standards and their implications across various contexts and industries.

V. RESEARCH METHODOLOGY

Method and Procedures

-Study Methodology:
This study adopts a descriptive analytical approach to collect information related to international financial reporting standards (IFRS), encompassing its significance, various types, motives for adoption by companies, and its impact on company value. To analyze the financial statements, a quantitative standard approach was employed using data sourced from the Amman Financial Market website and bulletins issued by the Securities Commission. Appropriate statistical methods were used to present and analyze the data in a manner suitable for the study's objectives.

Study Population and Sample
The study population comprises 21 insurance companies listed on the Amman Financial Market. The study covers the period between 2017 and 2021, and the entire study population was included in the analysis.

Statistical Analysis Methods
The study variables were measured using suitable statistical programs and methods. Here are details regarding these methods:

- -Measuring the independent variable, which is International Financial Reporting Standards (IFRS): The financial statements were scrutinized to determine whether the company adheres to the three IFRS policies (cash flows, fair value, net foreign investments). If a company follows one of these methods, it is assigned the value 1; otherwise, it receives a value of 0. This measurement is essential for testing the main hypothesis.
- For the sub-hypotheses, each component of International Financial Reporting Standards was measured. If a company follows a specific component, it is assigned the value 1, and 0 if it does not.
- The dependent variable is the value of the company (MV), which is determined by

multiplying the number of shares by the market price of the shares on the closing date.

Control Variables

Several control variables were considered, including:

- SIZE: The natural logarithm of the book value of total assets.
- CASH: Cash + Short-term Investments / Total Assets at Book Value.
- ROA: Return on Assets.
- DVD: Total dividends for ordinary and preferred shares.
- LEVit (Financial Leverage): Leverage (Total Debt/Total Assets).
- DEBT: The natural logarithm of total short- and long-term liabilities.

Hypothesis Testing

Main Hypothesis Test

H0: There is no statistically significant effect at the level of α ($0.05 \geq \alpha$) of international financial reporting standards with its dimensions (cash flows, fair value, net foreign investments) on the value of insurance companies listed on the Amman Stock Exchange.

The hypothesis is tested using the following equation, which has been adapted from Kochling& Posch (2018):

$$HA\ t\text{-}I = \beta 0 + \beta 1\ MV\ t\text{-}I + \beta 2\ SIZE\ j\text{-}t + \beta 3\ CASH\ j\text{-}t + \beta 4\ ROA\ t\text{-}I + \beta 5\ DVD\ t\text{-}I + \beta 6\ LEVi\text{-}t + \beta 6\ DEBT\ i\text{-}t$$

The results indicate that, on average, insurance companies listed on the Amman Stock Exchange applied international financial reporting standards (IFRS) policies with a score of 0.77 and a standard deviation of 0.50. This percentage increased by 20% from 2017 to 2021, and a further 40% increase was observed in 2022. The increased application of IFRS in 2022 can be attributed to the adoption of Financial Reporting Standard No. 9. Cash flow hedging was the most widely applied policy by insurance companies in the sample (50%), followed by fair value hedging (40%). The hedge of net foreign investments received less attention. The average market value of the companies in the sample was 5.04 with a standard deviation of 0.66. Market value showed a positive increase of 0.05 during the study years and saw a 10% increase in 2018 compared to previous years.

Table (1)

Descriptive Statistics

N	Std. Deviation	Mean	
21	.50709	.7714	Hege Accounting
21	.66965	5.0414	Market Value
21	1.59732	6.4729	Log of Assets
21	.05025	.2662	Cash &Short-term investments
21	1.02473	4.5303	Return on Assets
21	.23636	.5952	Dividends
21	1.28597	.4021	Leverage
21	.28265	.3714	Debt

The results of the multiple linear regression analysis presented in Table (2) reveal a Beta value of 0.909. This value signifies a positive relationship between the adoption of international financial reporting standards (IFRS) and the value of insurance companies listed on the Amman Financial Market. In other words, as companies increasingly utilize IFRS policies as risk management tools in their investments and activities, this positively correlates with their market value. This conclusion is substantiated by a p-Value Sig of 0.000, which is less than the significance level of 0.05, indicating a statistically significant effect. Consequently, we reject the null hypothesis (HO), which posits no impact of IFRS, including its various dimensions (cash flows, fair value, net foreign investments), on the value of insurance companies listed on the Amman Stock Exchange. Instead, we accept the alternative hypothesis (H1), which asserts the existence of a substantial effect.

Table (2)

Coefficients[a]

Sig.	t	Standardized Coefficients	Unstandardized Coefficients		Model	
		Beta	Std. Error	B		
.000	-4.891		.446	-2.181	(Constant)	1
.000	7.703	.909	.089	.689	Market Value	
.811	.245	.026	.034	.008	Log of Assets	
.416	-.839	-.092	1.102	-.925	Cash &Short-term investments	

.592	-.549	-.059	.053	-.029	Return on Assets	
.068	-1.992	-.190	.205	-.408	Dividends	
.419	-.835	-.087	.041	-.034	Leverage	
.066	-2.003	-.207	.185	-.370	Debt	

Examining the first sub-hypothesis

H01: There is no statistically significant effect at the level of α (0.05) on cash flow risk in relation to the value of insurance companies listed on the Amman Stock Exchange.

For this analysis, the equation utilized was derived from Kochling and Posh (2018) as follows:

CFH t-I = βo + β1MV t-I + β2 SIZE jt + β3 CASH jt + β4 ROA t-I + β5 DVD t-I + β6 LEVit + β6 DEBTi-t

Table (3)

Coefficients[a]

Sig.	t	Standardized Coefficients	Unstandardized Coefficients		Model	
		Beta	Std. Error	B		
.000	-3.062		.517	-1.582	(Constant)	
.000	6.686	.932	.104	.693	Market Value	
.702	.391	.050	.040	.015	Log of Assets	
.137	-1.586	-.204	1.277	-2.025	Cash &Short-term investments	1
.184	-1.404	-.179	.062	-.087	Return on Assets	
.029	-2.451	-.277	.238	-.582	Dividends	
.453	-.773	-.096	.048	-.037	Leverage	
.246	-1.216	-.148	.214	-.261	Debt	

The multiple linear regression analysis results provided in Table (3) demonstrate a Beta value of 0.932. This value indicates a positive association between hedging cash flows and the market value of insurance companies. This finding suggests that the adoption of International Financial Reporting Standards (IFRS) with regard to cash flow risk and their associated risks in contracts held by insurance companies with their customers, which are recognized as assets or liabilities, positively impacts the net income of these companies. It also leads to the recognition of profits and losses arising from changes in the value of IFRS instruments, such as financial derivatives, which further bolsters equity and ultimately raises the market value of these insurance companies. Additionally, the p-Value Sig, reaching 0.000, which is lower than the significance level of 0.05, signifies a statistically significant effect of cash flow hedging on the value of insurance companies. Consequently, we reject the null hypothesis (HO), which posits no impact of cash flow risk on the value of insurance companies listed on the Amman Stock Exchange, and accept the alternative hypothesis (H1), which asserts the existence of such an effect.

Testing the first sub-hypothesis:

H01: There is no statistically significant effect at the α level (0.05) regarding cash flow risk concerning the value of insurance companies listed on the Amman Stock Exchange.

In this analysis, we employed an equation adapted from Kochling and Posh (2018), presented as:

CFH t-I = βo + β1MV t-I + β2 SIZE jt + β3 CASH jt + β4 ROA t-I + β5 DVD t-I + β6 LEVit + β6 DEBTi-t

The results of the multiple linear regression analysis, as detailed in Table (4), reveal a Beta value of 0.191. This value indicates a positive correlation between hedging cash flows and the market value of insurance companies. It suggests that implementing International Financial Reporting Standards (IFRS) to address cash flow risk and related risks in contracts held by insurance companies with their customers (recognized as assets or liabilities) has a positive impact on the net income of these companies. Furthermore, it results in the recognition of profits and losses stemming from changes in the value of IFRS instruments, including financial derivatives, which strengthens equity and, in turn, elevates the market value of these insurance companies. The p-Value Sig, recorded at 0.000, is lower than the significance level of 0.05, indicating a statistically significant effect of cash flow hedging on the value of insurance companies. Thus, we reject the null hypothesis (HO), which suggests no influence of cash flow risk on the value of insurance companies listed on the Amman Stock Exchange, and accept the alternative hypothesis (H1), affirming the existence of such an effect.

Table (4)

Coefficients[a]						
Sig.	t	Standardized Coefficients	Unstandardized Coefficients		Model	
		Beta	Std. Error	B		
.166	-1.469		.955	-1.402	(Constant)	
.001	2.142	.552	.191	.410	Market Value	
.467	.750	.176	.073	.055	Log of Assets	
.833	.215	.051	2.358	.507	Cash &Short-term investments	1
.209	-1.323	-.311	.114	-.151	Return on Assets	
.780	.285	.059	.439	.125	Dividends	
.450	-.779	-.178	.088	-.069	Leverage	
.372	-.924	-.208	.396	-.366	Debt	

Testing the third sub-hypothesis:

H03: There is no statistically significant effect at a significance level ($\alpha \leq 0.05$) of net foreign investment risk in relation to the value of insurance companies listed on the Amman Stock Exchange.

For this analysis, the equation used is derived from Kochling and Posch (2018) as follows:

$$FNIHt\text{-}i = \beta o + \beta 1MV\ t\text{-}I + \beta 2\ SIZE\ jt + \beta 3\ CASH\ jt + \beta 4\ ROA\ t\text{-}I + \beta 5\ DVD\ t\text{-}I + \beta 6\ LEVit + \beta 6\ DEBT\ it$$

Table (5)

Coefficients[a]						
Sig.	t	Standardized Coefficients	Unstandardized Coefficients		Model	
		Beta	Std. Error	B		
.814	-.239		1.133	-.271	(Constant)	
.005	.782	.234	.227	.178	Market Value	
.140	1.571	.429	.087	.136	Log of Assets	
.707	-.384	-.106	2.798	-1.074	Cash &Short-term investments	1
.241	-1.229	-.336	.135	-.166	Return on Assets	
.673	.431	.105	.521	.224	Dividends	
.258	-1.182	-.315	.105	-.124	Leverage	
.501	-.692	-.181	.470	-.325	Debt	

The results of the multiple linear regression analysis presented in Table (5) reveal a Beta value of 0.234. This value indicates a positive relationship between the implementation of the net foreign investment policy and the market value of insurance companies. It suggests that when insurance companies include foreign operations as part of their net investment and manage the associated risks, it leads to increased gains from International Financial Reporting Standards (IFRS) instruments in the comprehensive income statement. This increase subsequently enhances the value of these companies' shares in the financial markets. Additionally, the p-Value Sig, amounting to 0.005, is lower than the significance level of 0.05, signifying a statistically significant effect of hedging net foreign investments on the value of insurance companies. Thus, we reject the null hypothesis (HO), which posits no impact of net foreign investment risk on the value of insurance companies listed on the Amman Stock Exchange, and accept the alternative hypothesis (H1), which asserts the existence of such an effect.

RECOMMENDATIONS

Based on the findings presented above, the researcher puts forth the following recommendations:

1. Encourage companies, both in Jordan and globally, to embrace the adoption of International Financial Reporting Standards (IFRS) and employ them as essential tools for mitigating the risks associated with their investments and operations. Companies should carefully select the most suitable IFRS tool to achieve their objectives and enhance their market value.
2. Call upon researchers and academics to direct their attention towards IFRS in their research endeavors, particularly in the

context of Jordan. Given the limited existing studies in this area, there is a significant need to raise awareness among companies regarding the importance of IFRS as a means to minimize the impact of risks and to help them select the appropriate tools to achieve their goals and increase their standing within financial markets.

3. Encourage regulatory and economic authorities involved in the development of new financial policies to focus on creating strategies that assist companies in addressing unforeseen risks and challenges arising from the evolving global landscape. Recent global changes, such as the emergence of the COVID-19 pandemic and its repercussions on the world economy, underscore the necessity of such policies.
4. Direct the Jordan Securities Commission (JSC) to advise companies listed on the Amman Stock Exchange to adopt International Financial Reporting Standards. These standards play a crucial role in enhancing the qualitative characteristics of accounting information within the financial statements issued by these companies, subsequently improving the efficiency of financial markets.

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