
The Impact of Fluctuations in Foreign Exchange Rates on Financial Performance

“An Applied Study on the Industrial and Service Companies Listed on the Palestine Exchange during 2014-2019”

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Abstract

The Foreign exchange rate or the FX is usually defined as the price at which a currency pair is converted, where it plays an important role in international trade, economic performance, and balances of payment (Lagat&Nyandema, 2016). This paper aimed to find out the effect of fluctuations in foreign exchange rates(JOD and EUR against the NIS) on the financial performance represented by economic value added (EVA), return on assets (ROA), share price, (SP)and Earning per Share(EPS)for industrial and service companies listed on the Palestine Stock Exchange, during (24) extended quarters (From 2014 to 2019). The study sample included (14) companies, of which (9) were industrial companies and (4) service companies. To achieve the objective of the study, the quantitative analysis approach based on reference to sectional time series data (Panel Data) was used.

Keywords: fluctuations in foreign exchange rates, financial performance, industrial and service companies listed on the Palestine Exchange.

Introduction

Foreign Exchange market, mainly characterized by its volatility and uncertainty due to its high fluctuation, which makes the future predictions more difficult and sometimes less accurate. This issue usually causes a struggle to traders (Importers and Exporters) when engaging in international trades and payments due to currency and market changing risks (KITUKU, 2014). Accordingly, since Palestinian traders in the industrial sector usually imports raw materials from foreign countries, their payments are usually made in the currency of that country. Therefore, the increase of Foreign Exchange rate might cause a potential loss, causing an increase in the products' prices and thus on the local economy. Exchange rates, just like any other commodity, are mainly affected by the forces of supply and demand, as well as, fiscal and monetary policies (MAJOK, 2015). Various factors might affect the demand on any currency, where interest rate

changes, inflation, and governmental regulation all play a role in formulating the price of the currency.

Foreign Currency Exchange also serves as a financial tool to compare prices of goods and services in different currencies, as per the occurrence of any change in the FX prices, the domestic prices of imported goods or services will have its share of changes, whether it is an increase or a decrease (MAJOK, 2015).

However, and as mentioned above, the foreign currency exchange determined by forces of supply and demand, but that is only the case when the economic and financial system are using a freely floating exchange rate. Another form of exchange rates uses a fixed rating system, where the central bank determines the price of its currency to the price of another and one of the most famous fixed pricing currency is the Jordanian Dinar against the US Dollar with a level of (0.707 JOD per USD) (MAJOK,2015).

Problem Statement and Questions

The fluctuation of foreign exchange rates, whether it is up or down, have an impact on the economy's performance and international trades in general, and on the Palestinian economy in particular. Given the fact that, the situation in Palestine, represented by the absence of a national currency, and the existence of three currencies in circulation used in commercial operations: (the Israeli shekel, the Jordanian dinar, and the US dollar). This situation reforms the Palestinian economy to be a dependent economy, affected by the any change in the mentioned currencies or the economic conditions of their countries. Therefore, this fluctuation may affect the financial performance of the companies listed on the Palestine Exchange, due to the presence of more than one currency in its commercial operations. The problem of the study revolves around answering the primary question below:

- What are the reasons behind the foreign currency Exchange (FX) fluctuation?

Questions to Discuss in This Study

- What is the extent to which service and industrial companies listed on the Palestine Exchange; adhere to the requirements of recognition and disclosure of foreign currency translation differences according to (IAS21) standard?
- What is the impact of the fluctuation of foreign exchange rates on the Economic Value Added (EVA) of the industrial and service companies listed on the Palestine Exchange?
- What is the impact of the fluctuation of foreign exchange rates on the Return on Assets (ROA) of the industrial and service companies listed on the Palestine Exchange?
- What is the impact of the fluctuation of foreign exchange rates on the Earning per share (EPS) of the industrial and service companies listed on the Palestine Exchange?
- What is the impact of the fluctuation of foreign exchange rates on the Share Price (SP) of the industrial and service companies listed on the Palestine exchange?

Objective of the Study

The present study focuses on demonstrating the most important reasons for the fluctuation of foreign exchange rates. It also aims to identify the impact of fluctuation in foreign exchange rates on the economic value and return on assistance (ROA) of industrial and service companies listed on the Palestine Exchange.

Literature Review

This section of the research will present and review other literary works related to foreign exchange and their effect on financial performance. It will also help to define specific terminologies that are important to the aim of the study.

➤ FX Definition

Foreign exchange, mostly known as (FX), is an important tool in the global financial system, as it plays a crucial role in sustaining the efficiency and stability of the market. Moreover, when any pair of currencies are quoted, the pricing mechanism affects financial conditions not only in the market but also in the industrial and investment sector (Nordstrom, 2019). Moreover, the FX level can also be affected by the reserve bank, as it intervenes in the market, in order to ensure the conditions are stable and orderly. When the reserve bank makes an intervention, It takes into account, the forces of supply and demand on the currency in order to regulate both the prices and the flow in accordance.

➤ Factors to influence the FX rate.

Accordingly, there are five factors that might cause a shift in the FX rate. Those five factors are inflation, interest rate differentials, differences in income level, government control, and changes in expectations (Akhter, 2021). Moreover, these factors are only economic and financials, as there were other factors that might influence the FX rate like the public debt, taxes, political stability, and terms of international trading (Akhter, 2021). Since the political situation in Palestine is not tied to the existence of a central bank nor a currency of its own, the FX rate in Palestine only gets affected by the situation of the other currencies.

➤ Importance of FX in trading

The European Central Bank (ECB) emphasized the effect the FX rates have on international trade, as it causes a change in the goods 'prices requested by international traders. Furthermore, when more US dollars can be obtained for€1, this means that the exchange rate from EUR to USD is more than 1 as stated by the ECB "when the euro appreciates, US products become less expensive for people in the euro area. As a result, import prices fall. This has a direct impact on inflation in the euro area, via the prices of imported goods for consumption, and also indirectly via the prices of imported raw materials and intermediate goods used for production" (Bank, 2016).

➤ Risks of FX in Palestine

The risks of FX in Palestine are due to the absence of a Palestinian central bank and currencies, which led to the existence of four major currencies in the country (EUR, USD, JOD, and ILS). The exchange rate between the USD and JOD is fixed and doesn't vary much when it comes to trading locally or internationally. However, the risk of FX rates can be visual when quoting USD

to ILS which is mainly determined by the market forces of supply and demand (Hamed, 2015). The situation in Palestine is more complicated, as the imports, trading, and wages here are paid in three different currencies “USD, JOD, and ILS”. (Hamed, 2015) stated that “Paying wages in more than one currency also increases the variability of relative wages. A depreciation (appreciation) of the NIS against the dollar (JOD) decreases (increases) the wages of workers paid in NIS relative to those paid in dollars (JOD). This problem does not apply to wages only, as the trade payment varies in currencies according to the location of the other trader, which means that if a trader pays in one currency to be debited from his account, and exchanged in several, the risks of FX rates are higher, especially on strongly importing sectors like the service and industrial sectors.

The hypothesis of the Study

To study the impact of the fluctuation of foreign exchange rates on the financial performance of industrial and service companies listed on the Palestine Exchange, this study included four main hypotheses, each of which has two sub-hypotheses, and they will be determined in arrow:

1. There is no statistically significant effect of the fluctuation of foreign exchange rates on the Economic Value Added (EVA) of industrial and service companies listed on the Palestine Exchange.

Sub-hypotheses:

A- There is no statistically significant effect of the fluctuation of the exchange rate of the dinar against the shekel on the (EVA) of the industrial and service companies listed on the Palestine Exchange.

B- There is no statistically significant effect of the fluctuation of the exchange rate of the euro against the shekel on (EVA) of the industrial and service companies listed on the Palestine Exchange.

2. There is no statistically significant effect of the fluctuation of foreign exchange rates on the Return on Assets (ROA) of the industrial and service companies listed on the Palestine Exchange.

Sub-hypotheses:

A-There is no statistically significant effect of the fluctuation of the exchange rate of the dinar against the shekel on the return on assets (ROA) of the industrial and service companies listed on the Palestine Exchange?

B- There is no statistically significant effect of the fluctuation of the exchange rate of the euro against the shekel on the return on assets (ROA) of the industrial and service companies listed on the Palestine Exchange.

3. There is no statistically significant effect of the fluctuation of foreign exchange rates on the share price (SP) of the industrial and service companies listed on the Palestine Exchange.

Sub-hypotheses:

A-There is no statistically significant effect of the fluctuation of the exchange rate of the dinar against the shekel on the (SP) of the industrial and service companies listed on the PalestineExchange.

B- There is no statistically significant effect of the fluctuation of the exchange rate of the euro against the shekel on the (SP) of the industrial and service companies listed on the Palestine Exchange.

4. There is no statistically significant effect of the fluctuation of foreign exchange rates on the Earning per share (EPS) of the industrial and service companies listed on the Palestine Exchange.

Sub-hypotheses:

A-There is no statistically significant effect of the fluctuation of the exchange rate of the dinar against the shekel on the (EPS) of the industrial and service companies listed on the Palestine Exchange.

B- There is no statistically significant effect of the fluctuation of the exchange rate of the euro against the shekel on the (EPS) of the industrial and service companies listed on the Palestine Exchange.

Analysis and Findings

Table:1 The results of the (REM) model to study the effect of changing currency exchange rates on the economic value Added of the industrial and service companies listed on the Palestine Exchange.

Statistical Significance	Test-Z statistic	Trans. B	Statistical Significance	Test-Z statistic	Trans. B	Variables
0.82	0.23	45900.56	0.553	-0.59	-119038.1	Regression constant B_0
0.03**	-2.15	-28017.72	0.029**	-2.18	-28002.45	FX (JOD/ILS)
0.14	1.48	9115.492	0.126	1.53	8948.86	FX (EUR/ILS)
0.04*	-2.04	-0.01				Company size
(Sig=0.00<0.05 ,1344.55)		(Sig=0.00<0.05 ,1898.67)		Laagering coefficient test ‡		
(Sig=0.13>0.05,2.30)		(Sig=0.14>0.05,2.43)		Hausmann test‡		
(Sig=0.02<0.05 ,10.20)		(Sig=0.081>0.05 ,5.02)		Study model test ‡		
0.3695		0.01		The determination coefficient (R^2)		

The results of the Lagering’smultiple tests in Table (1) confirmed that the fixed effects model is the most appropriate compared to the summative regression model, as the value of statistical

significance reached (0.00),relatively be low than the level of significance ($\alpha=0.05$). Moreover, the results of the Hausmann test confirmed that the random effects model is most suitable for testing the study hypothesis compared to the fixed effects model, as the value of statistical significance reached (0.14), which is greater than the level of significance ($\alpha = 0.05$), and accordingly, the random effects model is most suitable for testing the study hypothesis. The results contained in Table (1) indicate that there is no statistically significant effect of a change in currency exchange rates on the economic value added of companies. Noting the ability of the independent variables represented by the change in the exchange rates of the (JOD/ILS) and the exchange rate of (EUR/ILS) to explain the variation in the economic

Value of companies is only1%, confirming the existence of important variables that were not studied in the model, and this has been proven by many studies.

The results also indicate that an increase in the exchange rate of the (JOD/ILS) by 1% over time and between companies leads to a decrease in the economic value of the companies by an amount of (28017) JOD. The results, also confirmed that there is no statistically significant effect of the fluctuation of the exchange rate of (EUR/ILS) on the added economic value EAV; as the value of statistical significance reached (0.14); which is relatively above the level of significance ($\alpha=0.05$), and therefore we accept the second sub-hypothesis, in addition to that we note that there is a statistically significant negative effect of the size of the company on the economic value..

Table 2: Results of models for studying the effect of changing currency exchange rates on the economic value added in the industrial and service sectors, separately.

Service Sector			Industrial Sector			Variables
Sig.	Test-z-statistic	Transactions B	Sig.	Test-z-statistic	Transactions B	
0.912	-0.11	-33602.55	0.97	1.42	253007.6	B₀
0.270	-1.10	-21766.71	0.02**	-2.42	-28224.6	JOD/ILS
0.348	-0.94	-10404.47	0.00**	2.84	18391.82	EUR/LIS
0.00**	-6.73	-0.016437	0.79	0.26	10595.05	† Size
(6.03, Sig=0.01<0.05)			(Sig=0.00<0.05 ∙834.11)			laagering coefficient test ‡
(∓3.96, Sig=0.46<0.05)			(Sig=0.42>0.05∙2.82)			Hausmann test ‡
(6.94, Sig=0.046<0.05)			(Sig=0.04<0.05 ∙8.11)			Study model test ‡
0.07			0.2399			The determination coefficient (R ²)
FEM			REM			the nature of the model

When comparing the impact of currency exchange rates fluctuation on the EVA in the work sector and commenting on the results reached in testing the impact of currency exchange rates fluctuation on the economic value of the industrial and service companies listed on the Palestine Stock Exchange, and through a summary of the results contained in Table (2), we note that there is an effect of the change in currency exchange rates (JOD/ILS and EUR/ILS) on the economic value of the industrial companies. An increase in the change of the exchange rate of the JOD/ILS by 1% leads to a decrease in the economic value of the industrial companies by about (28,225 JOD), and an increase in the exchange rate of EUR/ILS by 1% leads to an increase in the economic value of industrial companies by about (18,392 JOD). It is clear from the results that the change in currency exchange rates and the size of the company to get her can explain 23.99% of the variation in the economic value, while the results showed that there is no effect of the change in currency exchange rates (JOD/ILS and EUR/ILS) on the economic value in Service companies. We note that the impact of the fluctuation of the currency exchange rate had a clear impact on the industrial sector, especially the JOD, which had a greater impact than the impact of the euro on the industrial sector. The value of the Israeli shekel (which is the main revenue currency in the Palestinian economy) against the Jordanian dinar, contributes directly to the real profit of the company.

Table 3: The results of the (REM) model to study the impact of currency exchange rate change on the Return on Assets (ROA) of the industrial and service companies listed on the Palestine Exchange

Sig.	Test-z-statistic	Transaction B	Variables
0.12	1.57	1.61	B_0
0.68	-0.42	-0.022	JOD/ILS
**0.00	4.30	0.099	EUR/ILS
0.049	0.69	5.33e ⁻⁹	SIZE
(Sig=0.00<0.05 ,1827.2)		layering coefficient test ‡	
(Sig=0.997>0.05,0.00)		Hausmann test ‡	
(Sig=0.00<0.05 ,2059)		Study model test ‡	
0.0303		The determination coefficient (R ²)	

The results presented in Table (3) indicated that there is a statistically significant effect of a change in prices Foreign currency exchange with the presence of the size of the company as a controlling factor on the return on assets, as the value of statistical significance reached (0.00) and is less than the level of significance ($\alpha=0.05$), which leads to rejecting the second hypothesis. In addition to that, the results showed that there is no effect of the change in price The exchange rate of the (JOD/ILS) at the level of significance ($\alpha=0.05$), and therefore we accept the first sub-hypothesis, while the results showed a positive effect of the change in the exchange rate of the (EUOR/ILS) on the return on assets in the industrial and service companies listed on the

Palestine Exchange, where it reached The value of statistical significance is (0.00), which is less than the level of significance ($\alpha=0.05$), therefore we reject the second hypothesis, as an increase in the exchange rate of the (EUR/ILS) by 1% over time and between companies increases the return on assets for companies by 0.099%, and It is clear from the results that the change in amplitudes Currency exchange, with the size of the company together, is able to explain 3.03% of the variance in the return on assets for service and industrial companies listed on the Palestine Exchange.

Table4: Results of models for studying the effect of changing currency exchange rates on the return on assets (ROA) in the service and industrial sectors, separately.

Service Sector			Industrial Sector			Variables
Sig.	Test-z-statistic	المعاملات B	Sig.	Test-z-statistic	Transaction B	
0.873	-0.16	-0.136	***0.00	4.27	50.71	B_0
0.156	-1.42	-0.766	0.983	0.02	0.0014	JOD/ILS
0.102	1.64	0.026	***0.00	4.04	0.1481	EUR/ILS
0.405	0.83	5.9 ⁻⁹	***0.00	-4.03	-2.938	† Size
(266.99, Sig=0.00<0.05)			(Sig=0.00<0.05 ,1104.1)			layering coefficient test ‡
(2.44, Sig=0.118>0.05)			(Sig=0.03<0.05 ,9.33)			Hausmann test ‡
(13.51, Sig=0.00<0.05)			(Sig=0.00<0.05 ,14.71)			Study model test ‡
0.0376			0.0611			The determination coefficient (R ²)
REM			FEM			the nature of the model

When comparing the impact of currency exchange rates fluctuation on the (ROA) in the light of the work sector, and in response to the results reached in testing the effect of currency exchange rates fluctuation on the (ROA) for industrial companies listed on the Palestine Stock Exchange, the results showed no statistically significant effect. For the change in the exchange rate of (JOD/ILS), while there is a positive effect of the change in the exchange rate of the (EUR/ILS) on the industrial companies listed on the Palestine Exchange. An increase in the change of the exchange rate of the (EUR/ILS) by 1% leads to a rise in the return on assets (ROA) of the industrial companies by 0.1481%. As for the services sector, we note that the reason effect to changing foreign exchange rates (JOD/ILS) & (EUR/ILS) on the return on assets (ROA) in service companies. The reason for this effect can be attributed to the ROA on EUR for industrial companies, which was above than its effect on the sample. Since the industrial companies depend heavily on imports of raw materials from The European Union and other countries that adopt the euro as their main currency, which affects in one way or another the costs of production, which in turn affects return on assets.

Table 5: The results of the (REM) model to study the impact of currency exchange rate change on the share price (SP) of the industrial and service companies listed on the Palestine Exchange

Sig.	Test-z-statistic	Transaction B	Variables
**0.00	3.73	1.43	B₀
0.461	-0.74	-0.006	JOD/ILS
0.144	1.46	0.0124	EUR/ILS
0.094*	1.67	9.14e-9	SIZE
(Sig=0.00<0.05 ,2719.74)		layering coefficient test ‡	
(Sig=0.08>0.05·3.04)		Hausmann test ‡	
(Sig=0.107>0.05 ,6.09)		Study model test ‡	
0.041		The determination coefficient (R ²)	

The above table seeks to answer the third main hypothesis of the study. Therefore, the random effects model (REM) was used, depending on the result of the Lagrange's multiple test (LM) and the

Hausmann test, where the results presented in Table (5) indicated that there was no statistically significant effect of changing in foreign exchange rates, with the size of the company as a controlling factor on the share price. The value of statistical significance reached (0.107), which is greater than the level of significance ($\alpha = 0.05$), accepting the third main hypothesis, the results indicated in Table 5), indicating that there is no effect of changing the exchange rate of the dinar against the shekel and the exchange rate of the euro against the shekel on the share price of the industrial and service companies listed on the Palestine Stock Exchange. ($\alpha=0.05$), thus we accept the first and second sub-hypotheses.

Table 6: Results of models for studying the effect of changing currency exchange rates on the share price (SP) in the service and industrial sectors, separately.

Service Sector			Industrial Sector			Variables
Sig.	Test-z-statistic	المعاملات B	Sig.	Test-z-statistic	Transaction B	
**0.04	3.05	0.8617	0.391	0.86	4.85	B_0
0.946	0.07	0.0007	0.296	-1.04	-0.0121	JOD/ILS
**0.03	3.24	0.0061	0.207	1.26	0.017	EUR/LIS
1.67	1.69	9.47e-9	0.621	-0.49	-0.18	† Size
(749.52, Sig=0.00<0.05)			(1818.53 , Sig=0.00<0.05)			laagering coefficient test ‡
)4.19 ,Sig=0.04>0.05)			(0.16 ,Sig=0.98>0.05)			Hausmann test ‡
)21.3,Sig=0.00<0.05((1.78 ,Sig=0.619<0.05)			Study model test ‡
0.0376			0.0611			The determination coefficient (R ²)
REM			FEM			the nature of the model

When comparing the effect of currency exchange rate fluctuation on the share price (SP), the results showed that there is no effect of changing exchange rates. Currencies (JOD/ILS) and (EUR/ILS) on the share price (SP) in the industrial companies. As for the service sector, the results showed that there was no statistically significant effect of the change in the exchange rate of the (JOD/ILS) on the share price in the service companies, while there was a positive effect of the change. In the exchange rate of the (EUR/ILS) in the service companies listed on the Palestine Exchange, an increase in the change in the exchange rate of the (EUR/ILS) by 1% leads to a rise in the share price of the service companies.

By 0.006 JOD. The reason for the unique effect of the euro on the services actors that the majority of companies Services in the study sample are hotel companies that rely heavily on tourism and on arrivals from abroad, as the number of arrivals from the European Union and other European countries exceeded 176,000 visitors during the year 2019 (Palestinian Central Bureau of Statistics, 2019), which makes the euro currency have an impact in one way or another on these companies, especially on the process of demand for these companies, which affects the prices of their shares in the market.

Table 7: The results of the (REM) model to study the impact of currency exchange rates change on the Earning per share (EPS) in the industrial and service companies listed on the Palestine Exchange

Sig.	Test-z-statistic	Transaction B	Variables
**0.035	2.11	0.137	B_0
0.028**	-2.20	-0.01	JOD/ILS
0.805	0.25	0.001	EUR/ILS
0.384	-0.87	-4.42e-9	SIZE
(1917.10 · Sig=0.00<0.05)		laagering coefficient test‡	
(0.00 · Sig=1.00>0.05)		Hausmann test‡	
(5.68 · Sig=0.128>0.05)		Study model test ‡	
0.02		The determination coefficient (R ²)	

To answer the hypothesis of the fourth main study, the random effects model (REM) was used, depending on the result of the multiple Lagrange test (LM) and the Hausmann test. The results presented in Table (4-7) indicated that there was no statistically significant effect of a change in prices Foreign currency exchange with the presence of the size of the company as a factor controlling the return on the price, as the value of statistical significance reached (0.128), which is greater than the level of significance ($\alpha=0.05$), therefore we accept the fourth main hypothesis, and the results indicated in Table (4-10) This indicates that there is a statistically significant effect of the change in the exchange rate of the dinar against the shekel, as the value of the statistical significance was (0.028), which is less than the level of significance (0.05), which means rejecting the first sub-hypothesis, as the change in the exchange rate of the dinar against the shekel increased by 1. % over time and across company's leads to a decrease in the average EPS by 0.01 dinars/share, while there is no effect of the change in the exchange rate of the euro against the shekel EPS of industrial and service companies listed on the Palestine Stock Exchange. The statistic is (0.805), which is greater than M Significance level ($\alpha=0.05$), therefore we accept the second sub-hypothesis.

Table 8: Results of models for studying the impact of currency exchange rates change on the EPS the industrial and service companies listed on the Palestine Exchange, separately.

Service Sector			Industrial Sector			Variables
Sig.	Test-z-statistic	المعاملات B	Sig.	Test-z-statistic	Transaction B	
0.082*	1.74	0.881	0.204	-1.27	-0.251	B_0
0.933	0.08	0.001	0.320	-0.99	-0.002	JOD/ILS
0.001**	3.21	0.006	0.008**	2.64	-0.004	EUR/LIS
0.115	1.57	9.08e-9	0.114	1.58	0.021	† Size
(721.46, Sig=0.00<0.0)			(1383.9 , Sig=0.00<0.05)			laagering coefficient test ‡
)0.00 ,Sig=0.999<0.05)			(0.13 ,Sig=0.99>0.05)			Hausmann test‡
)10.96,Sig=0.011<0.05((10.60 ,Sig=0.01<0.05)			Study model test ‡
0.188			0.001			The determination coefficient (R ²)
REM			REM			the nature of the model

When comparing the effect of currency exchange rate fluctuation on the EPS in the light of the work sector, and as a comment on the results reached in testing the effect of currency exchange rate fluctuation on the EPS of industrial and service companies listed on the Palestine Exchange, the results showed that there is no The impact of the change of the exchange rate of the dinar against the shekel on the EPS of the industrial companies listed in the Palestine Stock Exchange, and the presence of an effect of the change of the exchange rate of the euro against the shekel on the EPS of the industrial companies listed in the Palestine Stock Exchange, as the change in the exchange rate of the euro against the shekel increased by 1% over time and between companies leads to a decrease in the EPS for companies by 0.004 dinars / share. As for the services sector, the results showed that there was no statistically significant effect of the change in the exchange

rate of the dinar against the shekel on the return on the EPS, in When the results showed a positive effect of the change in the exchange rate of the euro against the shekel in the service companies listed on the Palestine Exchange, an increase of 1% in the change of the exchange rate of the euro against the shekel leads to an increase in the EPS. Granted to companies at the rate of 0.006 dinars /share.

Results

1. The results showed that there is a statistically significant negative effect of the fluctuation of the exchange rate of the dinar against the shekel on the EVA of the industrial and service companies. For industrial and service companies by (28,017) dinars.
2. The results showed that there is a statistically significant negative effect of the change in the exchange rate of the dinar against the shekel on the EVA of the industrial companies listed on the Palestine Exchange. An increase in the change of the exchange rate of the dinar against the shekel by 1% leads to a decrease in the economic value of the industrial companies by about (28,225) dinars.
3. The results showed that there is a statistically significant positive effect of the change in the exchange rate of the euro against the shekel on the EVA in the industrial companies. An increase in the change in the exchange rate of the euro against the shekel by 1% leads to an increase in the economic value of the industrial companies by about (18,392) dinars.
4. The results showed that there is a statistically significant positive effect of the change in the exchange rate of the euro against the shekel on the return on assets (ROA) in the industrial and service companies listed on the Palestine Exchange. An increase in the change of the exchange rate of the euro against the shekel by 1% over time and between companies increases the return of corporate assets by 0.099%.
5. The results showed that there is a statistically significant positive effect of the change in the exchange rate of the euro against the shekel on the return on assets (ROA) of the industrial companies listed on the Palestine Exchange. An increase in the change of the exchange rate of the euro against the shekel by 1% leads to an increase in the return on assets of the companies by 0.1481%.

Recommendations

1. The study recommends that there be an extensive study on the possibility of issuing a Palestinian national currency, through the work of all concerned parties to unify the national ranks and rally around the Palestinian Authority so that it can help the Palestinian Monetary Authority to create the Palestinian economic environment, to issue the Palestinian national currency, which will contribute significantly Significant in protecting the economy from exposure to exchange rate risks resulting from dealing with more than one currency in the Palestinian economy.
2. The study recommends that the unions, bodies, and associations responsible for the various Palestinian economic sectors, such as the Federation of Chambers of Industry and Commerce, the Palestine Authority for Restaurants and Hotels, the Association of Banks, and others, cooperate with each other to try to agree on the use of a unified alternative currency between sectors that are used in trading, to reduce the impact of using more than one currency. Currency until a unified official national currency is issued.

3. The need to increase the degree of disclosure of the companies listed on the Palestine Exchange about their commercial transactions that take place in currencies other than their functional currency, with an explanation of the procedures followed by the company to hedge against foreign exchange risks.

4. The need to conduct extensive and detailed future studies in which modern performance evaluation indicators, especially the EVA, will be used. So that we can better evaluate the performance of the companies, and the necessity of directing the Palestine Stock Exchange to the companies listed in it to disclosing clear and more detailed manner the data used in determining the EVA, which will greatly facilitate the researchers to use this indicator in their studies.

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