Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

EVALUATING THE PERFORMANCE OF ARAB FINANCIAL MARKETS USING FINANCIAL PERFORMANCE INDICATORS: AN ANALYTICAL STUDY IN LIGHT OF THE UNIFIED ARAB ECONOMIC REPORT (2020–2023)

Dr. Najla Fath Al-Rahman Al-Qadi

Associate Professor, Department of Economics and Finance,
Taif University - College of Business Administration
ORCID Id https://orcid.org/0009-0005-5046-7375

Article DOI: https://doi.org/10.36713/epra23723
DOI No: 10.36713/epra23723

ABSTRACT

This study aims to evaluate the financial performance of Arab financial markets over the period 2020–2023, based on data from the Unified Arab Economic Report. The analysis focuses on several key indicators, including Capitalization value, trading volume, the number of listed companies, stock turnover ratio, and the growth rate of foreign investor transactions, in addition to secondary indicators related to transparency, disclosure, and liquidity. Adopting a descriptive–analytical methodology, the findings reveal a gradual improvement in several indicators during the study period, particularly in Gulf markets, driven by strengthened regulatory frameworks and heightened investor confidence. However, the study also identifies pronounced volatility in trading indicators during 2022 and 2023, attributable to global interest rate hikes, elevated inflation rates, geopolitical tensions, and declining oil prices. Despite improvements in some indicators, weaknesses in disclosure and transparency persist in certain markets, undermining the efficiency of investment decision-making. The study recommends enhancing disclosure and transparency frameworks, improving the quality of financial data, fostering regional integration through shared information platforms, and leveraging digital transformation technologies in evaluation and analysis. Furthermore, it emphasizes the importance of improving the quality of financial reports issued by the Arab Monetary Fund on unified Arab financial markets to include data that enable more accurate assessments of market efficiency, particularly regarding profitability and dividend yields – data currently absent from the report. The availability of such information would provide decision-makers, regulatory bodies, and investors with more precise tools for market assessment

KEYWORDS: *Arab financial markets; Unified Arab Economic Report; financial performance indicators.*

1. INTRODUCTION

Arab financial markets represent a fundamental pillar in supporting national economies and fostering comprehensive economic development. They play a crucial role in mobilizing savings and channeling them toward productive investment. In light of the growing economic challenges and the evolving investment environment over the past decade, it has become essential to evaluate the actual state of these markets with precision, using financial tools and indicators that accurately reflect their performance and their ability to achieve efficiency and stability.

This research aims to evaluate the financial performance of Arab financial markets based on the data provided in the Unified Arab Economic Report issued by the Arab Monetary Fund for the period 2020–2023. The study analyzes several key indicators, including market capitalization, trading volume, the number of listed companies, stock turnover ratio, and the development of foreign investor activity, in addition to composite indicators related to transparency, disclosure, and liquidity.

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

This particular period was selected due to the rapid economic transformations it witnessed, including the repercussions of the COVID-19 pandemic, volatility in oil prices, shifts in global monetary policy, and the Russia–Ukraine war and its repercussions on the global economy. The research contributes an analytical perspective aimed at enhancing understanding of the current state of Arab financial markets, assessing their efficiency, and identifying strengths and weaknesses in order to assist policymakers, regulatory authorities, and investors in formulating appropriate future policies and strategies.

1.2 Research Significance

The academic significance of this study lies in its focus on examining the relationship between financial indicators and the performance of financial markets. Measuring financial performance indicators is not merely an analytical process but a strategic approach to improving the efficiency of Arab financial markets through the provision of accurate and transparent information. Such evaluation enables the identification of weaknesses and strengths, making it a topic of considerable relevance given the ongoing debates regarding the efficiency of these markets and the extent to which they fulfill their intended economic role.

1.3 Research Problem

The research problem centers on evaluating the financial performance of Arab financial markets using financial performance indicators, in order to determine the extent to which these markets exhibit quality financial performance and to verify whether the information available in official reports published by the Arab Monetary Fund is sufficient for performance evaluation. This is particularly important given the role of Arab financial markets and the need to measure their efficiency amid global and local economic challenges.

Accordingly, the research seeks to answer the following main question:
To what extent do Arab financial markets exhibit quality financial performance?
And the following subsidiary question:
To what extent does the information provided in the Unified Arab Financial Markets Report facilitate the evaluation of their financial performance?

1.4 Research Hypotheses

To achieve the objectives of the study, the following hypotheses are tested:
Financial performance indicators reflect the extent to which Arab financial markets exhibit quality financial performance.
The information provided in the Unified Arab Financial Markets Report enables only a partial evaluation of financial performance.

1.5 Research Objectives

The study seeks to achieve the following objectives:
-Evaluate the performance of Arab financial markets based on the Unified Arab Economic Report.
-Assess the extent to which the information provided in published reports enables a comprehensive evaluation of the financial performance of Arab financial markets.
-Offer constructive recommendations to improve and develop the performance of Arab financial markets.

1.6 Research Methodology

This research adopts a descriptive–analytical approach, relying on data presented in the Unified Arab Economic Report.

1.7 Data Collection Tools

Data collection is based on secondary sources, including:
Academic references such as books, scholarly journals, and reports issued by relevant institutions.
Officially published data available on authoritative websites.

1.8 Research Scope

Spatial scope: Arab financial markets.
Temporal scope: The period 2020–2023.

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

1.9 Research Structure

The study is organized into an introduction, three main chapters, and a conclusion:

Chapter One: Theoretical framework and literature review.

Chapter Two: Overview and description of Arab financial markets.

Chapter Three: Analysis of Arab financial markets' performance during the study period.

Conclusion: Key findings and recommendations.

Chapter One: Theoretical Framework and Literature Review

1.1 Theoretical Framework

1.1.1 Definition of Financial Markets

Financial markets are organized platforms that enable individuals, corporations, and governments to trade financial assets such as stocks, bonds, currencies, and commodities. These markets function as intermediaries between investors seeking returns on their capital and entities—whether public or private—seeking funding to expand their operations or achieve their strategic goals.

1.1.2 Importance of Financial Markets

Financial markets serve several critical functions in the economy, including:

Efficient Resource Allocation: Financial markets facilitate the transfer of funds from savers to the most productive economic sectors, thereby stimulating economic growth.

Provision of Liquidity: These markets make it easier to convert financial assets into cash quickly, thus supporting investment activities and enhancing investor confidence.

Support for Economic Development: By promoting investment and funding economic projects, financial markets contribute to job creation and macroeconomic stability.

Fair Asset Pricing: They function as effective mechanisms for determining the fair value of assets through the forces of supply and demand.

Risk Management: Financial markets provide instruments that allow investors to diversify and hedge against economic and financial uncertainties.

1.1.3 Financial Performance Indicators in Financial Markets

Definition of Financial Performance Indicators: Financial performance indicators are analytical tools used to evaluate the financial position of institutions. These indicators measure various aspects of performance, including profitability, liquidity, operational efficiency, and financial sustainability. Typically, they are derived from a firm's financial statements—such as the balance sheet, income statement, and cash flow statement—and provide insights into the firm's strengths and weaknesses.

1.1.4 Key Performance Indicators for Financial Markets

Market Capitalization (Market Cap): This indicator represents the total market value of the publicly traded shares of listed companies. It reflects the market's ability to attract household savings and stimulate investment. Over time, increases in market capitalization signal market growth and improved investment efficiency. Market cap is also a proxy for market liquidity, with higher values generally indicating deeper and more liquid markets.

Liquidity Ratio

This measures a market's ability to absorb buy and sell orders without causing significant price movements. A highly liquid market features a large number of buyers and sellers, narrow bid–ask spreads, and rapid trade execution. It is an essential factor in assessing market resilience and investor access.

Trading Volume

This reflects the number of shares or the value of securities traded over a given period. It is a key indicator of market activity and liquidity. High trading volumes indicate active markets with easier entry and exit, and lower transaction costs.

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Turnover Ratio

This ratio measures the efficiency of market trading and indicates how easily investors can liquidate their holdings. It is calculated by dividing the total value of traded securities by the market capitalization. It serves as a key comparative metric across different securities and markets and is often used by investors to assess trading activity and market efficiency.

Number of Listed Companies

This indicator represents the total number of companies with officially listed shares on the stock exchange of a given country. It serves as a quantitative measure of market depth and maturity, reflecting the diversity and sectoral breadth of the investment base. Trends in this indicator also offer insights into the success of privatization programs and the attractiveness of the market to foreign investors.

Price-to-Earnings Ratio (P/E Ratio)

This ratio compares the market price of a share to its earnings per share (EPS). It reflects market sentiment and investor expectations, serving as an indicator of optimism or pessimism about a company's future performance.

Market Index

A market index is a composite statistical indicator that tracks the performance of a representative sample of listed companies. It provides a benchmark for the general trend of the capital market. The index is crucial for investors as it influences investment decisions and provides a snapshot of overall market performance.

Dividend Yield: This indicator measures the ratio of dividend payments to the market price of a stock. It reflects the attractiveness of an investment in terms of generating regular income and is particularly important for income-focused investors.

1.1.5 Supplementary Indicators for Assessing Market Efficiency

In addition to the primary financial performance indicators, the following supplementary metrics are instrumental in evaluating the broader efficiency and transparency of financial markets:

Market Efficiency Index

This indicator assesses the extent to which available information is immediately reflected in asset prices. A high level of efficiency implies that prices incorporate all relevant data without delay, reducing opportunities for arbitrage.

Foreign Investor Participation Index

This metric measures the proportion of trading volume attributable to foreign investors. It serves as a proxy for a market's openness, international attractiveness, and the perceived stability and transparency of its regulatory environment.

Financial Instruments Development Index

This indicator reflects the degree of diversification and sophistication in the range of financial instruments available in the market, including derivatives, mutual funds, and debt instruments. A higher level of product innovation typically indicates a more developed and responsive financial system.

Transparency and Disclosure Index

Disclosure refers to the commitment of listed companies to provide timely and periodic financial and non-financial information to regulatory bodies such as stock exchanges and capital market authorities, as well as to shareholders and the general public—including potential investors.

Transparency is defined as the extent to which a company provides accurate and comprehensive data about its financial standing and operational activities. Transparency implies that such information is shared publicly, in a timely and sufficient manner, while safeguarding sensitive data that could harm the company's competitive position.

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Together, transparency and disclosure foster investor confidence, enhance market integrity, and are essential components of an efficient financial ecosystem.

1.1.6 Importance and Role of Financial Performance Indicators in Market Analysis

Financial performance indicators serve several vital analytical and strategic functions in financial markets:

Corporate Performance Evaluation:

Financial indicators are fundamental tools for analyzing a firm's financial statements and assessing the efficiency of its resource management. Investors use these metrics to understand the financial health of companies, which directly informs investment decisions.

Inter-firm Comparisons

These indicators facilitate the comparison of firms operating within the same industry, enabling analysts and investors to benchmark performance and identify market leaders.

Risk and Opportunity Assessment

By analyzing indicators such as liquidity and financial leverage, stakeholders can identify potential insolvency risks or other financial vulnerabilities. Conversely, these indicators also help highlight firms with strong growth prospects or undervalued assets.

Valuation and Investment Support

Ratios such as the Price-to-Earnings (P/E) and Price-to-Book (P/B) are used to assess whether stocks are overvalued or undervalued relative to their intrinsic worth, providing essential insights for value-oriented investors.

Managerial Decision-Making

Performance indicators offer management critical insights into operational efficiency, cost control, and inventory management, supporting efforts to improve overall corporate performance.

Trend Analysis

Tracking financial performance indicators over time enables the identification of patterns and trends in company or industry performance, enhancing forecasts of market growth or contraction.

1.1.7 Key Stakeholders Utilizing Financial Performance Analysis

The application of financial indicators is essential across a wide range of market participants:

Equity Investors

Rely on indicators such as Return on Equity (ROE) to evaluate how effectively a company utilizes shareholders' capital to generate profits.

Banks and Financial Institutions

Use liquidity and solvency ratios to assess the creditworthiness of firms and determine their ability to meet financial obligations.

Economic Analysts

Examine financial leverage indicators to assess macroeconomic stability, particularly by analyzing the debt structures of large corporations.

1.2 Literature Review

This section presents a review of relevant literature, including local, regional, and international studies related to the financial performance of capital markets in Arab economies.

Miqdad Hussein, Moatasem Abdel-Mawla, and Imran Youssef (2021)

"A Study and Analysis of the Reality of the Abu Dhabi Stock Exchange during the Period 2010–2018" , This study investigates the performance of the Abu Dhabi Stock Exchange and examines whether political instability in the region had a positive or negative impact on the market. The researchers focused on understanding the key developments that shaped the exchange during the study period. The study was based on the hypothesis that the

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

performance of the Abu Dhabi Stock Exchange is positively correlated with the general security, economic, and political conditions of the Gulf region.

The research was divided into two parts: the first outlined the theoretical framework of financial markets, while the second analyzed key performance indicators of the Abu Dhabi Stock Exchange from 2010 to 2018.
Key findings indicated that political upheaval and security instability—particularly after the Arab Spring—negatively affected the performance of Arab financial markets in general, and the Abu Dhabi market in particular. The study noted increased investor caution, reduced institutional investment, lack of positive incentives, and lower liquidity. Among the key recommendations were the need for stronger financial market legislation, enhanced inter-market cooperation, and the encouragement of long-term foreign capital flows under well-defined regulatory frameworks.

Nawal Lekhal (2015): "The Reality of Arab Financial Markets and Means of Development" This study explored the current state and potential development strategies for Arab financial markets. It reviewed the legal and regulatory frameworks, recent reforms, and common characteristics of these markets, while also analyzing the performance of selected Arab exchanges.

Findings highlighted significant disparities in performance despite the long-standing existence of some markets. A notable shared characteristic was the limited investment diversification opportunities, which constrained both individual and institutional investment strategies. Key recommendations included completing institutional and legal frameworks, revising outdated regulations, and enacting flexible laws to accommodate present and future market changes. The study also emphasized the need to deepen market liquidity by incentivizing more companies to list their shares.

Haider Al-Tamimi and Yousri Al-Samarrai (2007): "An Analysis of Factors Influencing the Performance of the Stock Market: The Case of Egypt"
This research examined both external (economic and political) and internal factors affecting stock market behavior. Key macroeconomic variables analyzed included money supply, economic activity, interest rates, exchange rates, and inflation, along with how these factors influence equity and bond markets.

The study also assessed internal factors such as trading practices, market participant behavior, and exchange operations. Legal and regulatory frameworks were considered in relation to curbing unethical practices and establishing a stable investment environment. Using Egypt's stock market as a case study, the authors tested quantitative relationships between macroeconomic indicators and market performance metrics such as stock index levels, market capitalization, and trading volume. Findings confirmed a direct (positive) relationship between money supply, economic activity, and inflation with market performance, while interest and exchange rates showed an inverse correlation.

Mohamed Fathy Abdel-Ghani (2020): "The Role of the Stock Market in Stimulating Investment and Promoting Economic Growth in Egypt"
This study examined the role of the Egyptian stock market in fostering economic growth through savings mobilization, liquidity provision, and capital formation. It also evaluated the performance of both the primary (issuance) and secondary (trading) markets over a 15-year period using financial indicators.

In addition to assessing strengths and weaknesses, the study offered practical solutions and policy proposals. Using a descriptive-analytical and historical approach, along with statistical tools, the study concluded that the stock market had contributed positively to investment and growth, helping to overcome internal and external challenges.

Despite improvements in the issuance market, the study noted that the proliferation of closed joint-stock companies weakened the effectiveness of Egypt's capital markets. It also identified a lack of bond issuances as a structural weakness. Key recommendations included strengthening the organizational structure of the Capital Market Authority, revising the regulatory framework to enhance oversight, introducing modern technology in

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

trading and data systems, and ensuring comprehensive disclosure by listed companies to improve transparency and investment analysis.

Mukhlid Jadoua and Mohammed Jiyash (2016): "Evaluating Financial Performance Using Profitability and Market Indicators: A Case Study of Listed Companies on the Iraq Stock Exchange"

This study centers on assessing the financial performance of a sample of publicly traded companies listed on the Iraq Stock Exchange, focusing on both profitability and market-based indicators. It aims to determine the degree to which these firms succeed in balancing these two critical dimensions, which are considered essential to enhancing overall financial performance.

The research evaluates the selected companies using commonly adopted financial indicators and analyzes the effectiveness of internal strategies aimed at maximizing profitability and market value. One of the key objectives was to provide practical insights for financial decision-makers regarding the relationship between performance evaluation and selected indicators.

The study found that external instability, particularly economic volatility, has a significant impact on profitability, potentially leading to losses or even bankruptcy. One of the main recommendations was that companies should implement robust internal control systems to monitor and evaluate financial performance on a regular basis (monthly or quarterly) to ensure their adequacy and effectiveness.

Badr Al-Zaman Hamqani and Samia Omar Abda (2020): "Analyzing the Impact of the COVID-19 Pandemic on Arab Financial Market Indicators: Selected Cases from 11 Arab Countries (December 2019 – May 2020)"

This study sought to evaluate the impact of the COVID-19 pandemic on financial market indicators across 11 Arab countries. The research divided the timeline into two distinct periods—pre-pandemic and during-pandemic—and used daily data from eleven representative market indices.

The analysis was conducted using SPSS 19 and Excel, and employed a paired-sample t-test with a 5% significance level. The results revealed a statistically significant negative impact of the pandemic on market indicators, with values declining by approximately 15.67% and volatility increasing by about 51.74%.

The study also noted data limitations that prevented broader generalization, as some financial indicators were unavailable for certain markets. Despite this, the research succeeded in addressing its core question regarding the extent of COVID-19's disruption to Arab financial markets.

Ammar Zouda and Hamza Boukafa (2018): "The Evolution of Arab Financial Market Performance: Growth Barriers and Developmental Pillars – An Analytical Study (2009–2015)"

This study aimed to shed light on the reality of Arab financial markets by examining their activity and performance levels during the 2009–2015 period, using a set of liquidity and size-related indicators. A descriptive–analytical approach combined with case study methodology was adopted.

Findings revealed significant disparities in market performance, primarily due to the effects of global and regional political and economic events. The study identified a performance gap and diagnosed the core barriers hindering development—most notably economic, political, legal, and structural challenges.

Key recommendations included reassessing the economic, legislative, regulatory, and institutional frameworks, adopting sound fiscal and monetary policies, and strengthening cooperation between Arab financial markets. A unified regulatory framework tailored to Arab conditions and aligned with global standards was suggested to facilitate joint market development.

Latifa Toubal (2018): "Financial Markets as a Tool for Economic Financing: A Study of Arab Stock Exchanges Amid Legal and Structural Challenges"

This study examined the role of financial markets in economic financing, using Arab stock exchanges as case studies. It highlighted the strategic role of these markets in channeling savings toward productive investments and

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

attracting both domestic and foreign capital. Financial markets were positioned as key mechanisms for providing funding across all economic sectors, thereby supporting sustainable development.

The study explored theoretical aspects of financial markets, the financing function they perform, and their contribution to economic growth. It also provided an overview of the Arab economic landscape and analyzed the performance of various Arab financial markets.

Key obstacles identified included legal restrictions and structural deficiencies that hinder market effectiveness. Recommendations included expanding the scope of financial markets through the introduction of new instruments, updating regulatory legislation, and adopting strategic reforms. The research found that while some Arab markets actively contribute to trade and investment financing, others play only a

Chapter Two: An Overview of Arab Financial Markets

2.1 Historical Development of Arab Financial Markets

Until the second half of the 1980s, the Arab region hosted only six operational stock exchanges, located in Egypt, Morocco, Tunisia, Kuwait, Jordan, and Lebanon. During that time, the Beirut Stock Exchange was inactive due to the Lebanese civil war.

Significant progress began at the end of the 1980s with the establishment of the Bahrain Stock Exchange in 1989, the Muscat Securities Market, and the Baghdad Stock Exchange. In parallel, Saudi Arabia saw the emergence of a more active and structured equity market.

The 1990s, marking the final decade of the 20th century, witnessed substantial developments in the establishment of new exchanges. Algeria launched its stock exchange on May 23, 1993, followed by the creation of stock markets in Sudan, Qatar, Palestine, and the United Arab Emirates by the end of 1999 and into 2000.

Meanwhile, the Arab exchanges that had been founded before the 1990s underwent fundamental reforms. Notable examples include the restructuring of the Cairo Stock Exchange, the Casablanca Stock Exchange, and the Tunis Stock Exchange. The Beirut Stock Exchange also resumed operations in 1995, following its wartime closure.

2.2 Legislative and Regulatory Framework of Arab Financial Markets

Most Arab countries have established formal stock exchanges; however, they vary considerably in terms of organizational structure, regulatory sophistication, and development. For analytical purposes, these markets can be categorized into four groups:

Group One: Gulf Cooperation Council (GCC) Markets

This group includes the financial markets of Saudi Arabia, Bahrain, Oman, Kuwait, the United Arab Emirates, and Qatar. These markets are distinguished by surplus capital flows and are generally considered the most advanced and regulated in the Arab world.

Notable examples from this group include:

The Saudi Stock Market (Tadawul)

Phase One (1954 – Early 1980s)

By the mid-1950s, there were only ten publicly traded companies with a combined capital of approximately 1.7 million SAR. Shares were traded directly between investors. By the mid-1970s, brokerage offices had emerged, significantly boosting trading activity. Share prices reached historic highs during the early 1980s.

Phase Two (Early 1980s – 2003)

During this period, the market structure underwent formalization. The Saudi Share Registration Company was established in 1983. A royal decree introduced a supervisory committee for the market, and the Saudi Arabian Monetary Authority (SAMA) issued operational guidelines for trading. In 1990, the first electronic trading system was launched, which was later upgraded in 2001 to a more advanced platform branded “Tadawul.”

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Phase Three (2003 – 2005)

The Capital Market Authority (CMA) was established under the Capital Market Law enacted on July 31, 2003. The CMA operates as an independent government body with administrative and financial autonomy. Its core responsibilities include regulating investor and broker activities, overseeing securities issuance, listing and trading, and ensuring market transparency and efficiency.

The Kuwait Stock Exchange (KSE)

The first trading venue in Kuwait was inaugurated in 1972. Initially, daily trading activity was summarized in a market bulletin listing stock prices, volumes, and transaction sizes.

In 1976, a decree was issued to restructure the trading of Kuwaiti joint-stock company securities.
The official establishment of the Kuwait Stock Exchange occurred on April 18, 1983, following an Emiri decree. Since then, the KSE has evolved into a central platform for capital market activity in Kuwait.

2.3 Group Two: Structured Markets with Fiscal Deficits

This group comprises five countries: Jordan, Lebanon, Egypt, Morocco, and Tunisia. These markets are formally organized and operate under frameworks that promote economic liberalization. However, they continue to face fiscal deficits, which constrain the scale and scope of capital market activities. Below are two representative examples from this group:

Amman Stock Exchange (ASE)

The establishment of a regulated securities market in Jordan became necessary as the number of public shareholding companies increased, reaching 66 by 1978. Following several studies and consultations, the Amman Financial Market was officially inaugurated on April 1, 1978. Subsequently, the Jordan Securities Law was enacted in 1990, accompanied by the issuance of relevant rules and regulations governing market operations.

The ASE comprises a broad membership of licensed brokers and is governed by a General Assembly consisting of subscribing members who pay annual fees. The exchange is administered by a Board of Directors and a Chief Executive Officer responsible for its internal policies and operational guidelines.

Egyptian Exchange (EGX)

The Egyptian Exchange comprises two exchanges—the Cairo Stock Exchange and the Alexandria Stock Exchange—which are managed jointly and operate as a single institution across two physical locations.
The development of Egypt's stock market has unfolded across four key phases:

Phase One (1883–1940s)

The Alexandria Stock Exchange was established in 1883, followed by the Cairo Stock Exchange in 1898. By 1907, the Cairo Exchange had risen to become the fifth-largest in the world by transaction value, with 228 listed companies and a total capitalization of 91 million Egyptian pounds. The combined exchanges maintained a global top-five position through the 1940s.

Phase Two (1960s–1970s)

This period was marked by socialist economic reforms, including the redistribution of corporate profits to workers and mandatory employee representation on boards of directors. These measures, along with nationalization efforts in the 1960s, significantly undermined market activity. Trading volume declined from 626 million EGP in 1962 to just 5.2 million EGP by 1972.

Phase Three (1973–1991)

A series of reforms was introduced to revitalize capital markets, including tax legislation, revisions to stock market regulations, and amendments affecting joint-stock companies. By the mid-1980s, trading activity began to recover. The General Regulations of Stock Exchanges were updated in 1986, marking the start of a new era for Egypt's equity market.

Phase Four (1990s Onward)

During the 1990s, Egypt launched a comprehensive economic reform and privatization program targeting loss-making state-owned enterprises. This revitalized the capital market, and in 1992 the Capital Market Law was

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

enacted to modernize operations. It introduced mechanisms for underwriting, settlement, clearing, portfolio management, and the creation of financial custodians. In 1997, a decision was made to electronically link the Cairo and Alexandria exchanges via a centralized trading system, enabling real-time access to both markets for investors.

2.4 Group Three: Transition Economies Developing Capital Markets

This group includes Iraq, Syria, Algeria, and Libya. These countries have traditionally relied on the public sector to drive economic development. However, recent shifts in global and domestic economic dynamics have led to structural reforms and greater engagement of the private sector. As a result, capital markets were established or began to evolve in these countries to support broader economic transformation agendas.

2.5 Group Four: Low-Activity or Underdeveloped Markets

This final group includes Djibouti, Somalia, Sudan, Mauritania, and Yemen. In these countries, the overall level of economic activity remains limited, which has constrained the development of full-fledged financial markets. The economic and institutional foundations necessary to support organized capital markets are either weak or entirely absent, making the establishment of functioning stock exchanges economically unjustifiable in the short term.

2.6 The Current State of Arab Financial Markets

Capital markets in Arab countries remain underdeveloped relative to their counterparts in emerging markets across Asia and Latin America. This underperformance is largely due to institutional weaknesses and delayed liberalization efforts. The opening of Arab financial markets to foreign capital inflows did not occur until the final decade of the 20th century, and even today, market participants in many Arab countries continue to operate under substantial government influence, particularly in economic decision-making.

A common characteristic across Arab economies is their heavy reliance on the banking sector for financing, with governments historically dominating economic activity through centrally planned approaches. However, the wave of global economic liberalization in the early 1990s prompted many Arab countries to initiate market reforms and open their economies to private sector participation. These reforms included significant efforts to modernize financial sectors, such as the establishment of new stock exchanges and the enhancement of existing ones.

Despite being a pioneer in the region—dating back to 1888 with the Cairo and Alexandria exchanges—Egypt saw its early lead diminished due to nationalization policies during the socialist era, which significantly reduced the number of listed companies and market activity.

Similarly, markets in Morocco, Tunisia, and Lebanon had launched operations in the first half of the 20th century, but their economic impact remained limited. As broader financial sector reforms took root across the region, new stock exchanges emerged with varying levels of success. For example, while some markets—such as Algeria—developed with structural limitations, others, particularly in the Gulf Cooperation Council (GCC) states, experienced substantial growth, benefiting from institutional reforms and favorable macroeconomic conditions.

Chapter Three: Analysis of Financial Performance Indicators in Arab Financial Markets in Light of the Unified Arab Economic Report

3.1 Introduction

The analysis in this chapter is grounded in data extracted from the Unified Arab Economic Report published by the Arab Monetary Fund, which offers a comprehensive overview of Arab financial markets. The evaluation presented herein is aligned with the hypotheses outlined in the introductory chapter of this study.

To conduct the analysis and financial performance assessment, the following methodological steps were undertaken.

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

3.2 Primary Indicators of Financial Market Performance

In this section, the performance of major Arab financial markets is examined using a set of core and supplementary financial and economic indicators. These indicators are critical for assessing market development and financial efficiency across Arab countries. The main indicators include:

3.2.1 Market Capitalization (also referred to as Stock Market Capitalization)

Market capitalization is calculated using the formula

Market Capitalization = Number of Listed Shares × Market Price per Share

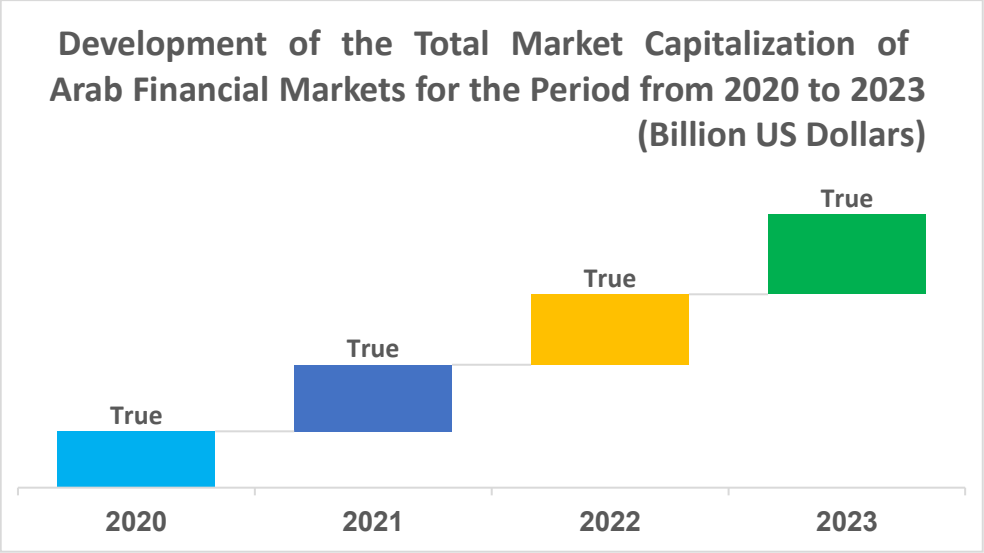
This indicator represents the aggregate value of all listed companies' outstanding shares in the market. It serves as a key measure of the market's size, liquidity, and capacity to attract investment. Increases in market capitalization over time often indicate market expansion, improved investor confidence, and the successful integration of capital markets into national economic development strategies.

Table No. (1) Development of the Total Market Capitalization of Arab Financial Markets for the Period from 2020 to 2023 (Billion US Dollars)

Year	2020	2021	2022	2023
Market Capitalization	3,219.30	3806.7	4044.8	4554.7
Percentage Change		18%	6%	13%

Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

Shape No. (1) Development of the Total Market Capitalization of Arab Financial Markets for the Period from 2020 to 2023 (Billion US Dollars)



Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

As shown in Table 1 and Figure 1, the total market capitalization of Arab financial markets demonstrated a steady upward trend over the study period. This growth was primarily driven by the strong performance of the Saudi and Emirati markets. In particular, the Saudi market played a pivotal role as a regional growth engine, given the substantial weight of Tadawul (the Saudi Stock Exchange) in the overall market value of the Arab region.

While major markets recorded significant gains, smaller exchanges continued to exhibit modest performance levels. The highest recorded aggregate market capitalization for the region was in 2023, reaching approximately USD 4,554.7 billion. This surge came in the aftermath of the COVID-19 pandemic and global financial volatility, reflecting enhanced market liquidity and investor optimism across leading Arab exchanges.

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

3.2.2 Liquidity and Trading Activity Indicators

Liquidity and trading performance are key indicators of market efficiency and investor accessibility. These indicators are typically measured through trading volume—both in value and quantity—relative to the overall market capitalization. They provide critical insights into the market's ability to accommodate buy and sell orders without causing significant price distortions.

A highly liquid market allows investors to enter and exit positions with ease, offering:

*** High trading frequency,**

Narrow bid–ask spreads, and*

***Rapid order execution.**

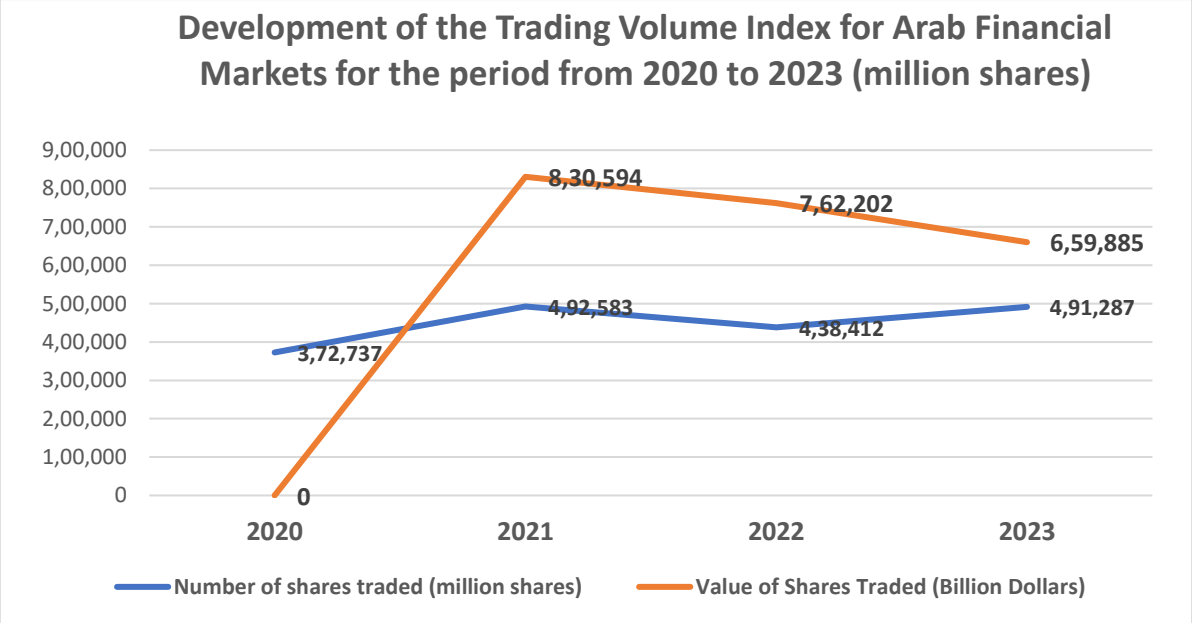
Such characteristics are essential for attracting institutional investors, maintaining price stability, and supporting market depth. Trading volume is thus a primary proxy for assessing the operational strength and responsiveness of a financial market to external shocks and internal investor behavior.

Table No. (2) Development of the Trading Volume Index for Arab Financial Markets for the period from 2020 to 2023 (million shares)

Year /Item	2020	2021	2022	2023
Number of shares traded (million shares)	372,737	492,583	438,412	491,287
Percentage Change	-	- 32.2%	-11%	12%
Value of Shares Traded (Billion Dollars)	684,784	830,594	762,202	659,885
Percentage Change	-	- 21.3%	-8.2%	-13%

Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

Shape No. (2) Development of the Trading Volume Index for Arab Financial Markets for the period from 2020 to 2023 (million shares)



Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

As shown in **Table 2, Figure 2**, trading volume—both in terms of share quantity and monetary value—reached its lowest level across Arab financial markets in **2020**, due to the severe impact of the COVID-19 pandemic. That year, the total number of shares traded stood at **372,737 million** shares, with a total traded value of approximately **USD 684.8 billion.**

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

This decline was primarily driven by investor uncertainty and global financial contraction following the public health crisis. However, trading volumes rebounded significantly in **2021**, reaching **492,583 million** shares and a traded value of **USD 830.6 billion**—the highest recorded during the study period. This recovery was attributed to improvements in global market performance, sustained increases in global oil prices, and a rise in foreign investor activity in several Arab markets.

Nevertheless, the year **2023** witnessed a decline in market liquidity for the second consecutive year, as reflected by a **12.1%** decrease in traded value compared to **2022.** The most significant contributor to this downturn was a sharp drop in liquidity on the Saudi Exchange (Tadawul), where the value of traded shares fell by nearly **USD 100 billion**. Similar declines were observed in the Abu Dhabi, Kuwait, and Qatar exchanges, where traded values decreased by **USD 35.6 billion**, **USD 14 billion, and USD 9.6 billion**, respectively.

Other markets, including Amman, Tunis, Palestine, and Algeria, also recorded declines in trading activity, amounting to **USD 630.5 million, USD 433.1 million, USD 141.89 million, and USD 1.5 million**, respectively. In contrast, a few markets experienced moderate gains. The **Egyptian Exchange** recorded an increase of **USD 51.8 billion**, while Casablanca and Dubai registered gains of **USD 3.3 billion** and **USD 2.3 billion**, respectively. Additionally, modest increases of less than **USD 321 million** were observed in **Muscat, Bahrain, Beirut, and Damascus.**

The volatility in trading activity across Arab markets in **2023** can be largely attributed to **global monetary tightening**, particularly the successive interest rate hikes implemented by major central banks (notably the U.S. Federal Reserve) from 2022 through mid-2023 in response to persistent global inflation. In turn, central banks in Arab countries—especially those in the Gulf whose currencies are pegged to the U.S. dollar (e.g., the Saudi Riyal and the UAE Dirham)—followed suit by raising domestic interest rates.

This policy shift led to investor risk aversion, prompting a move away from equities toward **fixed-income instruments** such as **deposits and bonds**. Contributing factors also included reduced investment liquidity, persistently high inflation rates, heightened geopolitical risks, and continued volatility in global oil prices.

3.2.3 Market Index Indicator

To evaluate the overall performance of Arab financial markets, the study examines the composite **market index**, as reported **in Table 3**. This indicator serves as a benchmark for measuring general price trends and investor sentiment across listed securities.

Table No. (3) Development of the Composite Price Index of Arab Financial Markets for the period from 2020 to 2023.

Year /Item	2020	2021	2022	2023
Value of the composite index	426.9	494.2	486.8	487.8
Percentage Change	-	0.158	-0.015	0.002

Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

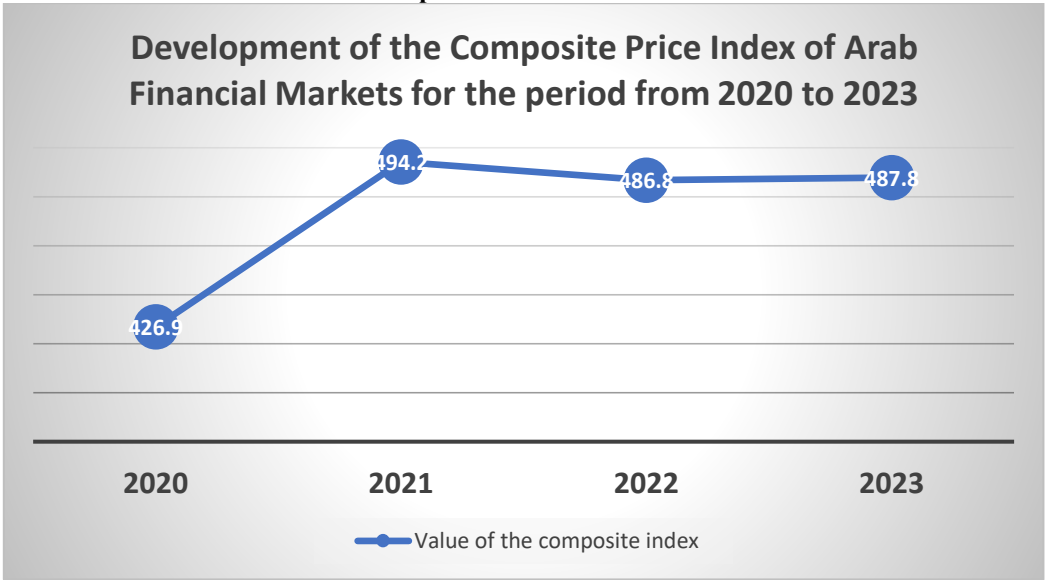
Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Shape No. (3) Development of the Composite Price Index of Arab Financial Markets for the period from 2020 to 2023.



Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

The data presented in **Table 3** and **Figure 3** show **that the composite market index for Arab** financial markets—developed by the Arab Monetary Fund—registered its lowest value at the end of **2020**, reaching **426.9** points. This marked a significant decline, reflecting the economic downturn caused by the COVID-19 pandemic.

However, **in 2021**, the index surged to its highest level during the study period, recording **486.8** points. This improvement was primarily driven by:

*** A relative easing of pandemic-related economic fears,**

*** Moderate recovery in global oil prices,**

Continued government-led reform efforts, and *

Renewed momentum in equity markets.*

In **2022,** the index experienced a slight decline, mainly due to the global rise in inflation and the aggressive tightening of interest rates by central banks. Nevertheless, by **2023**, the index began to recover once again, supported by structural reforms and renewed investor confidence—especially in markets like **Egypt and Saudi Arabia**.

Overall, the composite index suggests that Arab financial markets maintained **a positive upward trajectory** throughout the study period, despite temporary setbacks driven by external macroeconomic shocks

.

3.2.4 Stock Turnover Ratio

The stock turnover ratio is a key indicator of liquidity and trading efficiency in capital markets. It measures how frequently shares are traded relative to the market's capitalization and provides insight into how easily investors can liquidate positions when needed. The formula used is:

Turnover Ratio = Total Trading Volume / Market Capitalization

Table 4 illustrates the evolution of the turnover ratio in Arab financial markets from 2020 to 2023:

Table No. (4) Development of Stock Turnover Rate in Arab Financial Markets for the period from 2020 to 2023.

Year /Item	2020	2021	2022	2023
Stock turnover Rate	21.3	21.8	18.7	14.5
Percentage Change		2.30%	-14.20%	-22.50%

Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

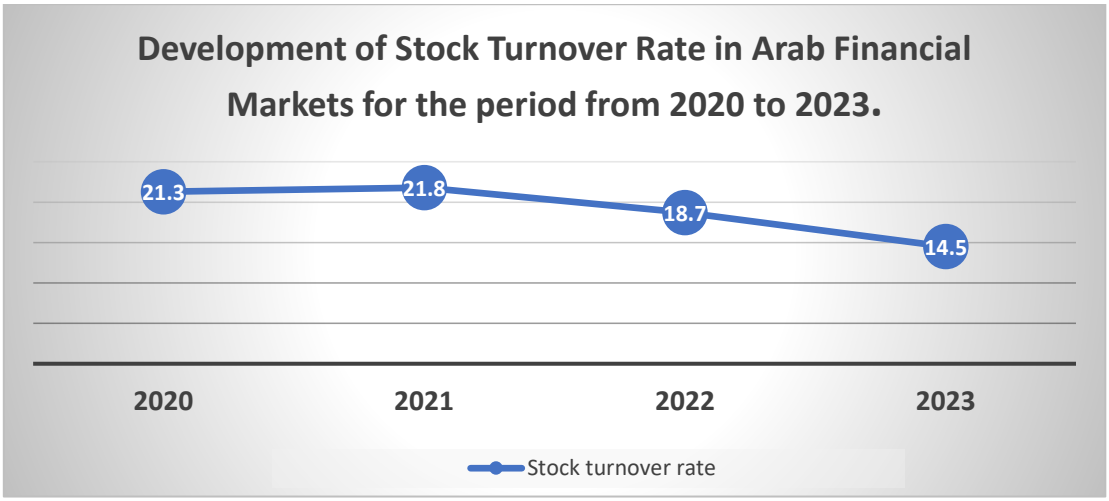
Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Shape No. (4) Development of Stock Turnover Rate in Arab Financial Markets for the period from 2020 to 2023.



Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

As depicted in **Figure 4**, the turnover ratio peaked in **2021**, reaching **21.8%**, representing a **2.3%** increase from **2020**. This was a result of heightened post-pandemic market activity, improved investor sentiment, and increased trading across major Arab exchanges.

*However, in **2022**, the ratio declined by **14.2%,** and it dropped further to **14.5% in 2023,** *representing a **22.5%** year-on-year decrease—the lowest during the study period. This decline *can be attributed to several overlapping factors:

*Mounting concerns over a potential **slowdown in global economic growth,**

The impact of **global monetary tightening policies,** including repeated interest rate hikes,

Diminished risk appetite among investors in the wake of the **Russia–Ukraine conflict**, and

General hesitancy surrounding equity markets in a high-inflation, high-interest environment.

The data suggest that **liquidity conditions deteriorated significantly** across Arab markets in both **2022** and **2023**, following a temporary resurgence in **2021.**

3.2.5 Number of Listed Companies

The **number of listed companies serves** as a fundamental indicator of a market's **depth and breadth**. It reflects the extent of corporate participation in the capital market and is a proxy for the market's structural maturity and sectoral diversity.

Table 5 shows the progression in the number of companies listed on Arab financial markets between 2020 and 2023:

Table No. (5) Direction of the Development of the Number of Listed Companies in Arab Financial Markets for the Period 2020 - 2023.

Year /Item	2020	2021	2022	2023
Listed Companies	1481	1487	1512	1541
Percentage Change		0.40%	1.70%	1.90%

Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

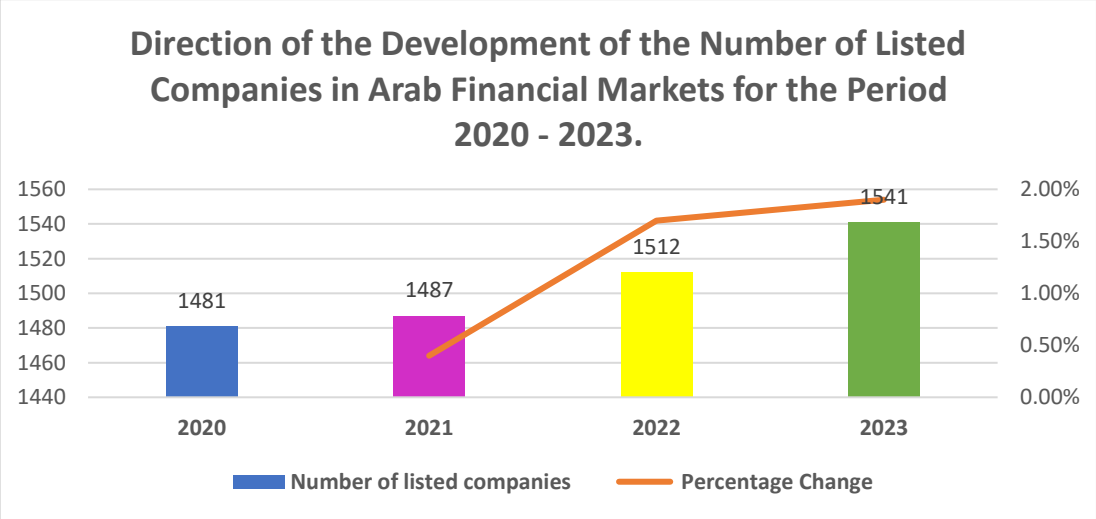
Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Shape No. (5) Direction of the Development of the Number of Listed Companies in Arab Financial Markets for the Period 2020 - 2023.



Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years **(2020-2023)** As illustrated in **Figure 5**, there has been a consistent increase in the number of listed companies across Arab financial markets over the study period. **This steady upward** trend is indicative of: **Improved investment climate** and growing corporate confidence in capital markets, *
***The evolution of regulatory and legislative frameworks**, making listing more attractive and feasible,
Increased attractiveness of local stock exchanges for domestic firms seeking to raise capital, and*
***Positive spillovers** on market liquidity, trading volumes, and overall market efficiency.
The gradual expansion of the listed company base contributes to the diversification of available investment opportunities, enhances market competitiveness, and supports broader financial sector development goals across the region.

3.3 Supplementary Indicators for Evaluating Market Performance and Financial Innovation

3.3.1 Foreign Investment Activity

Foreign investment indicators are essential for gauging the attractiveness of Arab financial markets to international investors.

Table 6 below presents the evolution of foreign trading activity in Arab capital markets from 2020 to 2023 (in USD billions):

Table No. (5) Development of Foreign Investment Transactions in Arab Financial Markets for the Period from 2020 to 2023 (Billion Dollars)

Year /Item	2020	2021	2022	2023
Sale	74,822	107,220	142,134	173,239
Purchase	79,208	119,614	167,358	176,868
Net	4,386	12,394	25,224	3,629

Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

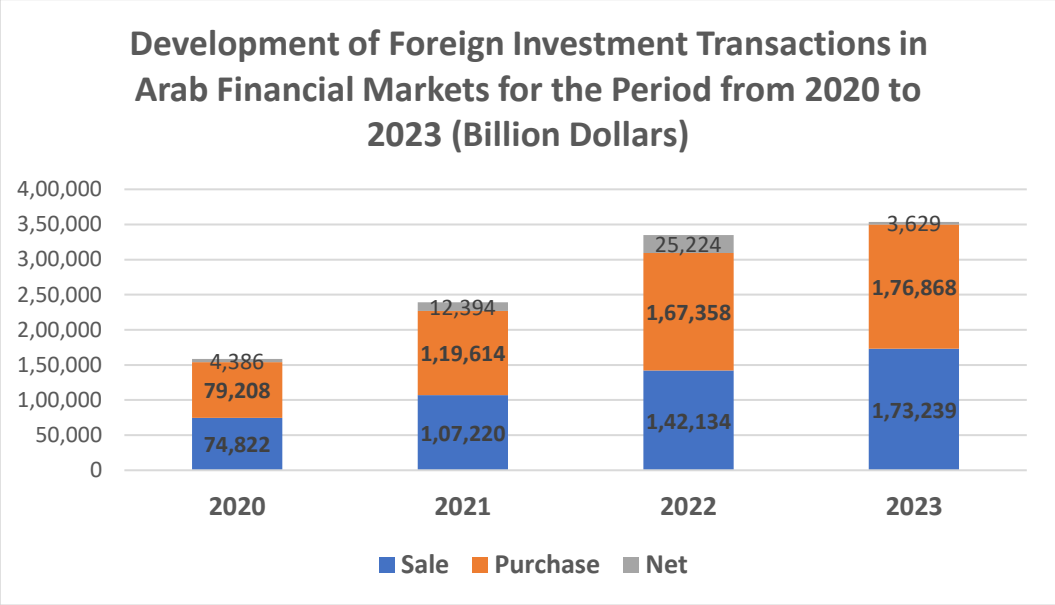
Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Table No. (5) Development of Foreign Investment Transactions in Arab Financial Markets for the Period from 2020 to 2023 (Billion Dollars)



Source: Prepared by the researcher based on the data from the Unified Report of the Arab Monetary Fund for the years (2020-2023)

As illustrated in **Figure 5**, foreign investment transactions in Arab stock markets increased markedly starting in **2021**, due to:

- Reduced economic uncertainty following the containment of the COVID-19 pandemic,
- Easing of mobility and trading restrictions, and
- A sustained rise in global oil prices, which boosted regional macroeconomic confidence.

By **2023**, foreign investor activity accounted for **26.3%** of total trading value, up from **20.3%** in 2022 and **13.7%** in 2021. Although total net inflows declined in 2023 to **USD 3.6 billion**, the sustained interest reflected the relative resilience of Arab markets amidst global monetary tightening.

3.3.2 Financial Sector Development and Financial Technologies

Recent data from the Arab Monetary Fund highlights a growing focus on the development of the financial sector, including both traditional and digital components:

***The Financial Sector Development Index** captures the evolution of equity and money markets, institutional finance, and regulatory infrastructure, including **digital inclusion** and the **local–international integration** of markets.

*A joint initiative with the **International Monetary Fund (IMF)** aims to strengthen domestic debt markets across member states. This includes updates to legal and regulatory frameworks that support new instruments such **as local bonds and financial derivatives**, documented in annual and quarterly reports.

3.3.3 Financial Technology (FinTech) Index – FinxAr

The **FinxAr** Index tracks the progress of digital financial infrastructure in Arab countries, including:

***Electronic payment systems**
***Digital banking services**
***Online financing platforms**

Recent publications such as the Joint Arab Economic Report **(JAER) 2023–2025**, quarterly bulletins, and FinxAr data collectively provide a comprehensive overview of financial innovation across the region.

3.3.4 Composite Indicators of Financial Sector Maturity (2020–2023)

These indicators provide operational insights for both policymakers and investors. Key components include:

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Financial Sector Development Index (2020):

*Equity and debt market growth

*Institutional funding mechanisms

*Regulatory and legislative improvements

Financial Inclusion Index (2021):

* Share of adults with bank accounts

*ATM penetration

*Access to digital finance, bank credit, and financial insurance

Advanced Financial Instruments Index (2021):

*Sukuk issuance

*Government bonds

*Derivatives

*Secondary markets

Financial Market Efficiency Index (2023):

*Market liquidity

*Market depth

*Trading costs

Digital Financial Development Index (2023):

*Expansion of digital payments

*Growth of digital banks

*Online financing solutions

The period from **2020 to 2023** saw gradual improvements in financial inclusion, digital adoption, and regulatory infrastructure. This was driven by **legislative reforms**, **monetary stimulus** in several Gulf countries, and broader digital transformation efforts—particularly in **Egypt and Morocco**. Additional developments included:

*Increased sukuk issuance in Saudi Arabia and the UAE

*Enhanced market liquidity in Gulf markets

*Slight declines in North African market activity

*Introduction of Open Banking frameworks in select GCC countries

*Investments in financial infrastructure modernization

3.3.5 Transparency and Disclosure Index

This indicator assesses the extent to which listed companies comply with financial disclosure requirements. Strengthening **transparency and disclosure practices** is critical to improving efficiency and investor trust in Arab financial markets.

State of Transparency and Disclosure in Arab Markets

The Arab Monetary Fund has played a key role in supporting transparency and disclosure, though gaps remain in several countries. The Fund's efforts include:

*Adoption of **institutional governance** systems

*Disclosure of **senior officials' compensation and policies**

*Issuance of tools such as the **Sustainable Debt Instruments Guide**, which encourages high-quality, reliable national databases

*Regional and international collaborations, including the **Arabsat Project** (with the IMF), aimed at enhancing fiscal transparency in Arab economies

*Participation in **anti-corruption capacity-building and financial data quality improvement programs**

Despite these efforts, transparency remains limited in parts of the Gulf region. According to the **Atkinson Index,** Gulf banks scored between **1.5 and 5.5** out of **1.5 in 2019**. The **Arab Gulf States Institute in Washington (AGSIW**) also reported that economic transparency in the region lags behind countries like **Denmark and Hong Kong.**

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

Chapter Four: Conclusion and Recommendations

4.1 Key Findings

This study offers a comprehensive evaluation of the financial performance of Arab financial markets from **2020 to 2023**, using a wide range of performance indicators. The main findings are as follows:

1/ **Partial Financial Assessment Due to Data Gaps**

The performance of Arab financial markets was assessed only partially due to the lack of critical data—particularly regarding profitability and dividend yield—in the financial reports issued by the Arab Monetary Fund.

2/ Growth in Market Capitalization and Listings

Financial performance indicators revealed steady improvements in key metrics. Market capitalization increased significantly, primarily driven by the strong performance **of Saudi Arabia and the UAE**, though smaller markets lagged behind. Additionally, the number of listed companies grew consistently, reflecting a more favorable investment climate and improved regulatory frameworks, which contributed to enhanced market depth and efficiency.

3/Volatility in Trading Activity Post-2021

Trading volumes and the composite market index declined in **2022 and 2023** after peaking in **2021** following the COVID-19 recovery. This volatility was largely due to **global monetary tightening**—especially interest rate hikes by major central banks such as the U.S. Federal Reserve. These changes led investors to retreat from higher-risk equities in favor of fixed-income instruments. Geopolitical tensions and oil price fluctuations further exacerbated the downturn.

4/Decline in Turnover Ratio

The turnover ratio reached its highest point in **2021** before falling to its lowest level in **2023**, driven by investor uncertainty related to **global economic slowdown fears**, aggressive interest rate policies, and the impact of **the Russia–Ukraine conflict**.

5/Positive Foreign Investor Engagement

Foreign investment activity increased as economic fears related to COVID-19 diminished. Rising oil prices contributed to improved investor sentiment, leading to higher foreign participation in Arab capital markets during 2021–2023, with a notable spike in net inflows in **2022.**

6/Progress in Financial Inclusion and Fintech Integration

Composite indicators for 2020–2023 showed gradual improvements in financial inclusion and regulatory modernization, supported by government reforms and digital transformation efforts, particularly in **Egypt and Morocco**.

7/Divergence in Market Liquidity and Infrastructure

Gulf markets recorded enhanced liquidity and financial infrastructure investment, while some **North African** markets experienced relative stagnation. **Open Banking initiatives** and digital payment expansion were noted as key trends in the GCC region.

8/Transparency and Disclosure Challenges

Reports from the Arab Monetary Fund highlighted significant variation in transparency across Arab countries. Inadequate disclosure practices in some markets hindered investor decision-making. Although the Fund has undertaken multiple initiatives—such as the **Sustainable Debt Instruments Guide** and the **Arabsat initiative** in collaboration with the IMF—transparency levels remain low in several Gulf states, as evidenced by low Atkinson Index scores.

4.2 Recommendations

Based on the analysis, the study proposes the following actionable recommendations for decision-makers and regulatory bodies:

1/Enhance Financial Reporting Quality

Improve the scope and accuracy of financial data in Arab Monetary Fund reports, particularly by including metrics such as **profitability** and **dividend yield,** which are currently absent.

2/Strengthen Reporting and Transparency Standards

Encourage regulatory authorities to enforce compliance with **international financial reporting standards (IFRS),** ensuring that listed companies publish **clear, accurate, and timely financial statements.**

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

3/Develop Composite Market Indicators

Support the development of advanced composite indices that integrate financial performance with market dynamics such **as liquidity, volatility**, and **active investor participation**.

4/Create Regional Data-Sharing Platforms

Establish integrated regional platforms for **real-time financial data exchange** to improve financial market transparency and foster regional market integration.

5/Leverage Digital Transformation

Promote the adoption of **artificial intelligence, machine learning,** and **advanced analytics** to improve the precision and efficiency of financial market assessments.

6/Modernize Legal and Regulatory Frameworks

Reform outdated laws and strengthen governance mechanisms to enhance oversight, reduce risk, and attract long-term investment across Arab financial markets.

4.3 Directions for Future Research

1/Expand Financial Indicator Coverage

Future studies should incorporate more nuanced indicators such as **Return on Equity (ROE), Return on Assets (ROA), and Dividend-to-Market Value Ratios** for a deeper understanding of market performance.

2/Comparative Market Analysis

Conduct cross-regional studies comparing Arab markets with **emerging** and **developed markets** to assess gaps in **efficiency, transparency, and resilience**.

3/Evaluate Non-Financial Influences

Examine the impact of broader macroeconomic and **political variables—including political stability, financial literacy, digital transformation, and governmental initiatives**—on market performance.

4/Assess Fintech Integration and Innovation

Investigate the role of **AI, blockchain**, and **financial technologies (FinTech)** in enhancing **transparency, liquidity**, and **investment attraction** in Arab capital markets.

REFERENCES

A. Arabic Sources (Translated):

1. *Al-Asrag, H. (2002). The Role of the Stock Market in Enhancing Savings in Egypt (Unpublished Master's Thesis). Faculty of Commerce, Benha, Zagazig University, pp. 72–76.*
2. *Al-Taama, H. H. & Al-Samarrai, Y. (2007). Analysis of Factors Affecting the Performance of the Stock Market: The Case of Egypt. Journal of Economics and Administrative Sciences, 13(45), p. 105. https://doi.org/10.33095/jeas.v13i45.1147*
3. *Abdel-Muttalib Abdel-Hamid (1996). The Role of the Banking System in Supporting Privatization and Activating the Stock Market in Egypt. Conference on Investment and Finance, Faculty of Commerce, Ain Shams University, March 16–17.*
4. *Khodr, A. A. (2012). Disclosure and Transparency as a Governance Principle in Company Law. Alexandria: Dar Al-Fikr Al-Jamei, p. 53.*
5. *Rajeh, E. (2020). Transparency in the United States. Bayan Center for Planning and Studies. https://www.bayancenter.org/2020/04/5818*
6. *Hamqani, B. Z. & Abda, S. O. (2020). The Impact of COVID-19 on Arab Stock Market Indicators. Les Cahiers du CREAD, 36(03).20. Unified Arab Economic Reports (2002–2023 editions). Abu Dhabi: Arab Monetary Fund.*
7. *Hamad, T. A. (n.d.). Financial Statement Analysis for Investment and Credit Purposes.*
8. *Abdulqader, A. B. H. (2004). Saudi Financial Market. Quarterly Bulletin.*
9. *Zouda, A. & Boukafa, H. (2018). Development of Arab Stock Markets: Growth Barriers and Strategic Pillars (2009–2015).*
10. *Barraq, M. (2004). The Role of Financial Markets in Funding Development in the Arab World. Sétif University, Algeria.*
11. *Shdeifat, A. A. I. (2006). Investment in Stock Markets: Shares, Bonds, Financial Instruments. Amman: Dar Al-Hamed Publishing.*
12. *Jadoua, M. & Jiyash, M. (2016). Evaluating Financial Performance Using Profitability and Market Indicators. Journal of Al-Rafidain University College, Issue 39.*
13. *Saleh, M. & Maarefi, F. (2009–2010). Efficiency Requirements of Arab Financial Markets. Al-Bahith Journal, Issue 07.*
14. *Arab Investment Guarantee Corporation (2002). Investment Climate Report in Arab Countries, p. 47.*
15. *Al-Touni, N. (2004). Financial Flows and Related Challenges. Arab Planning Institute.*

Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of

Asian Economic Light (JAEL) – Peer Reviewed Journal

SJIF Impact Factor (2025): 8.579 Volume: 13 | Issue: 8 | August 2025

16. *Statistical bulletins of various Arab stock exchanges (Jordan, Egypt, Morocco, Saudi Arabia, Oman, Kuwait), 2000.*
17. *Lekhal, N. (2015). The Reality and Development of Arab Financial Markets. New Economy Journal, 13(2).*
18. *Saeed, H. H. (2001). Stimulating Demand in the Stock Market. Prepared for the Egyptian Capital Market Authority.*
19. *Brihi, A. H., & Fadel, A. (2018). Financial Statement Analysis: A Theoretical and Applied Approach. Baghdad: Dar Wael Publishing.*
20. *Mohammed, A., & Habib, K. (2015). Financial Market Indicators and Their Impact on Investment Decisions. Journal of Economic and Administrative Sciences, 21(2), University of Baghdad.*

B. English Sources

1. *Tadawul (Saudi Exchange). (2023). Market Reports and Statistics. Retrieved from https://www.saudiexchange.sa/*
2. *Fabozzi, F. J. (2015). Capital Markets: Institutions, Instruments, and Risk Management. MIT Press.*
3. *Mishkin, F. S., & Eakins, S. G. (2018). Financial Markets and Institutions (9th ed.). Pearson. 3*
4. *OECD. (2023). Reports on Financial Markets. Retrieved from https://www.oecd.org/finance/financial-markets*
5. *International Monetary Fund. (2020). Determinants of Stock Market Development in the MENA Region. IMF Working Paper.*
6. *United Nations ESCWA. (2022). Financial Market Development in the Arab Region. UN Economic and Social Commission for Western Asia.*
7. *Gibson, C. H. Financial Statement Analysis.*
8. *Brealey, R., Myers, S., & Allen, F. Principles of Corporate Finance.*
9. *Fabozzi, F. J., Modigliani, F., & Jones, F. J. (2013). Foundations of Financial Markets and Institutions (4th ed.).*
10. *Bodie, Z., Kane, A., & Marcus, A. J. (2018). Investments (11th ed.). McGraw-Hill.*

C. Websites and Online Databases

Arab Monetary Fund (AMF):
https://www.amf.org.ae
Contains annual data on Arab economies and financial performance indicators (e.g., public debt, fiscal deficits, revenues, expenditures, public investment).
***Annual reports** from Arab capital market authorities. **
***International Monetary Fund (IMF):** Reports including Article IV Consultations for Arab countries – https://www.imf.org*
***Investopedia:** Educational content on financial performance indicators – https://www.investopedia.com*
***Financial data platforms**: Yahoo Finance, Bloomberg*
***World Bank Open Data**: https://data.worldbank.org*
*Academic Databases: Scopus, Google Scholar, Emerald Insight, SSRN **(Social Science Research Network)***
Examples of relevant academic article titles:
*Financial Performance Measurement and Stock Market Efficiency in Emerging Economies **
*Liquidity, Financial Indicators, and Market Development in Arab Countries **