NON-FINANCIAL INDICATORS AND CORPORATE ANNUAL REPORTS

Dr. Salam N, AL-Momani[a], Dr.mohammad F, Al-shboul[b]

Jadara University, Irbid, Jordan
almoumany@yahoo.com

Jadara University, Irbid, Jordan
Malshboul89@yahoo.com

Abstract, This study aims at examining the role of non-financial indicators on revealing the financial failure of Jordanian Public Joint-Stock Companies, through the annual reports of companies. Four independent variables were specified: The age of the company, the delay in issuing the annual reports, and staff turnover, and the size of the company. The study population consisted of (82) industrial companies and it depended on the randomized sample. The sample taken out for the study consisted of 30% of the total study population. The researchers used multiple linear regression analysis, in order to determine the impact of the independent variables on the dependent variable, The study found that non-financial indicators after detecting faltering before it occurs variables that affect the prediction of a stalled companies, Based on the findings and conclusions researcher has proposed a series of recommendations including:
1. Paying attention to the auditors and industrial companies and all interested groups a stalled corporate non-financial indicators.
2. A study of some non-financial variables such as changing laws, especially tax law and the market value of the company, technological changes and corporate governance.

Keywords- non-financial indicators, industrial joint-stock companies, Delinquency, Annual Reports.

1 INTRODUCTIN

Companies face a lot of uncertainty conditions, which impose them find ways to help them survive, thus achieving success target, and established companies to stay and continue, therefore we must find ways to help those companies to survive. Figures Companies Control Department in Jordan that the cumulative number of companies that have been terminated until the end of June 2010 amounted to (28,808) Company total capital (545) million Jordanian dinars, and a large number of them were dissolution due to loss of the entire capital and the erosion of the rights of shareholders and mismanagement. From here emerged the importance of early detection of financial distress for companies, so with the advent of globalization and economic openness and crises caused by poor management practices have increased the importance of finding the means capable of detecting financial distress, showed in previous years that the economies of many countries have been stalled as a result of lack of means capable of revealed tripping which inflicted severe damage shareholders and creditors, suppliers and others, and as the faltering companies financial talk time, especially after the global financial crisis and the collapse of many large companies, without warning, it was necessary to search for non-traditional methods to help all sides to reveal the faltering before happen. The phenomenon of serious financial distress phenomenon exposed many businesses, both in the economically advanced countries or in economically developed countries, as a result of the exercise of corporate economic activity.The companies also take a lot of investment decisions such as expansion work, or borrowing or lending decisions and that may be the cause of tripping (Zubaidi,2002,p233)

Contain financial statements that the numbers abstract, these figures useful, but that these figures contained in the financial statements may punctuated some of the mystery and misinformation, because of that some departments showing accounting data are misleading result manipulation process accounting measurement, in order to show the company is placed real therefore may appear financial indicators derived from those lists misleading, which requires the existence of studies based on the notes and other data issued by companies in order to reach the indicators is a financial post where by interested parties disclose stumble that control of the company you are able to continue to work or not, and the reliance on financial indicators only and ignore the non-financial indicators may make a gap in the detection of faltering companies have thus the presence non-financial indicators may be a complement to financial indicators fill the gap leading to obtain more accurate results in order to make decisions correction to reach the company to safety. Based on the above current study seeks to statement impact of non-financial indicators to predict the financial failure in order to assist all interested parties a stalled companies in making wise decisions. And can achieve the purpose of the current study by answering the following question:

Is there an effect of non-financial indicators to predict the financial failure of the public shareholding industrial companies?

2 LITERATURE REVIEW

There are many definitions of stumbled and received in accounting studies and literature, where he stated Mattar (2010, p 352) in his book Modern Trends analysis that the company's inability to achieve an appropriate return cost less than the cost of capital. Drapeau (2000, p2), they stage that can not the company meet payment obligations to its creditors and thus filtered or rescheduling debt. Hayali, (2007, p 56) that the inability of the company to repay current liabilities on maturity, and sees Mohamed et al (2008, p 210) that the Company access to the point of bankruptcy, and sees Gibson, (2009 p 451) that tripping means inability to pay dividends excellent short-term liabilities and interest on loans, and the Companies Control Department in Jordan considered the company stumbled and moving toward liquidation if made losses for two consecutive years. In the eyes of Sheikh, (2000 p 76) that incompatibility investment decisions with funding decisions leading to a gap between revenues and expenses funding a way that increases the likelihood of default. Usually are beginning not to the company's ability to repay its obligations on short-term maturity to reach to the inability to pay the interest on loans, bonds and preferred stock premiums. From the perspective of the researcher, the researchers did not conclude to a common definition of stumbled and thus can be defined tripping "as that stage that link the company to the inability to pay its obligations short term, and the inability to achieve an operating profit and its inability to pay its expenses and expenses operational, investment and financing and achieving losses consecutive years after the other, which could eventually lead to bankruptcy and liquidation".

The phenomenon of delinquency is a serious phenomenon resulting in significant risks and can be exposed many businesses both in the developed economies or developing due to a combination of external and internal factors such as: poor management and lack of liquidity and the accumulation of losses and inefficient employment policies, including pricing policies and sales and high leverage (any increase the contribution of loans in the financing structure), or expansive action is justified and the poor management of collection as well as the circumstances surrounding such governmental actions and the work environment and competition. A survey conducted by Dun & Bradestreet company which shows that the main causes of default include: inefficient management and workers, 93.1% neglect 2%, forgery 1%, 0.9% disasters, other reasons 3%. This means that the reasons for faltering or failing multiple and mostly non-financial, so it can determine the case of default of the company level unit stumble such as poor solvency of art, no you can not meet its obligations due and this company from the perspective of solvency is stalled or failed but it did not reach the level of bankruptcy and liquidation , as he can not through a single process rearrange their leaves and their positions so that they are able to pay.

Researcher's Aqil, (2006, p 446) believes that there are many reasons to find them inefficient employees, and a turnover of personnel, and the loss of qualified job in the administration, and inefficient management and for this reason Aloakhir considered the main reasons for the faltering companies, which unanimously agreed scholars. Therefore we can say that it is rare to have failure as a result one decision, but as a result of a series of decisions, develop their ill effects gradually within the company, so there are aspects of the stalled by a tripping himself. Could be argued that the most important indicators of tripping delay in issuing financial statements for scheduled , also mentioned Erjnti (1983) that one of the most important reasons for failure:

1- Management

A- per person management - management is balanced

2- Information Management

A- double accounting system.

B - twice the level of cost accounts.

C - The weakness in the flow of information to the institution.

3 - Do not respond to economic changes and developments in the business environment, the response to the technological and economic variables in the external and internal environment helps companies to develop and continue.

4 - expansion of the work as the haphazard expansion is an important reason for the faltering companies.

5 - creative accounting and its use as a tool to mislead which affects the decisions of investors.

With mentioned Erjnti, (1983) also said non-financial indicators are usually not quantity. As mentioned rain, (2001) that the following indicators are considered non-financial company size, the age of the company, the delay in the publication and dissemination of financial statements, the use of creative accounting, the constant change in accounting policies and principles. These indicators are the most influential on the faltering businesses, have been counted among the 16 model used these variables and conducted studies as indicators show that the company stumbled distressed or not, in order to develop models to predict a stalled companies. And has been mentioned Shaibani, (2009), the timing of issuance of the financial statements has a significant impact on the stock prices of companies in the financial market, and the timing of the issuance of the financial statements will help investors in their investments towards successful companies, also issued statements within the statutory period allowed may be indicative of the absence of the entity's financial problems. As mentioned mind, (2006) that the delay in the issuance of the financial statements for the scheduled date is one of the indicators of financial distress for companies. In a study of Momani (2011) with respect to indicators of financial and non-financial, the researcher suggested model can predict a stalled companies a year before stumbling and by (95.7%). Either Aldhyat in his study has reached equation discriminatory to measure financial performance of brokerage firms, which include a range of financial ratios to judge the financial performance of brokerage firms. At the same context, reached Matar (2001) to the need not only the financial ratios, but it also must be given ratios of non-financial great importance as an instrument for predicting financial failure. either Argenti ((1976 in his study has revolutionized new in the world of building prediction models financial failure, because he had used non-financial indicators that affect the faltering companies was considered that non-financial indicators are Her greatest impact in faltering companies. either researcher Omari (2000) to reach a model could where by re-rating to stuttering and Garmtosrh mediated This model 100% in the year of analysis and 83% a year ago of failure, he could not model prediction for more than a year before the failure. either researcher Aljahmani (2001) in his study has reached the model can predict Failure by up to (75%) before years of faltering. "Hamdan, (2008) has the researcher to the possibility of using on mozgen to predict financial failure of the banking sector, the model first based on profitability and model II is based on the liquidity ratios, profitability and solvency The (1984) Fulmer, et, has reached the model reached accuracy 98% in the year prior to the year stumbled companies. As Zavgren (1985) has reached the model to predict the failure of companies amounted accuracy 99%. either (GUZ, 1999 in the study, the study found the model to be of three financial indicators have reached accuracy model 94%,models that took financial ratios for years older. As researcher Watson, at, al., (2002) has concluded that there is a correlation between the disclosure of financial ratios in financial reporting and related properties profitable companies and the return on investment, and ratios of capital structure, and liquidity ratios , and the efficiency of origin E and size of the facility and industry to which they belong established. As researcher McLeay and trigueiros (2002) has concluded that the use of financial ratios must be variables proportionate and that should be a factor independent of the size of the company, when the condition, a former company headcount enters in models such as the impact common for each set of financial statements and the conversion simple leads to improved statistical properties of the behavior certain financial ratios. As researcher Hamilton et al, (2002) has concluded that the model analysis discriminatory and model logistic regression when predicting corporate British distressed that can saved and those that can not be saved.The results showed that these Alanmozgen have the same accuracy in forecasting, And accuracy of Anmozgen ranging between 80-70%, while the researcher Letza,at, al(2003) has reached to the conclusion that he can rely on the analysis of discriminatory.

2.1 Summary of relevant studies

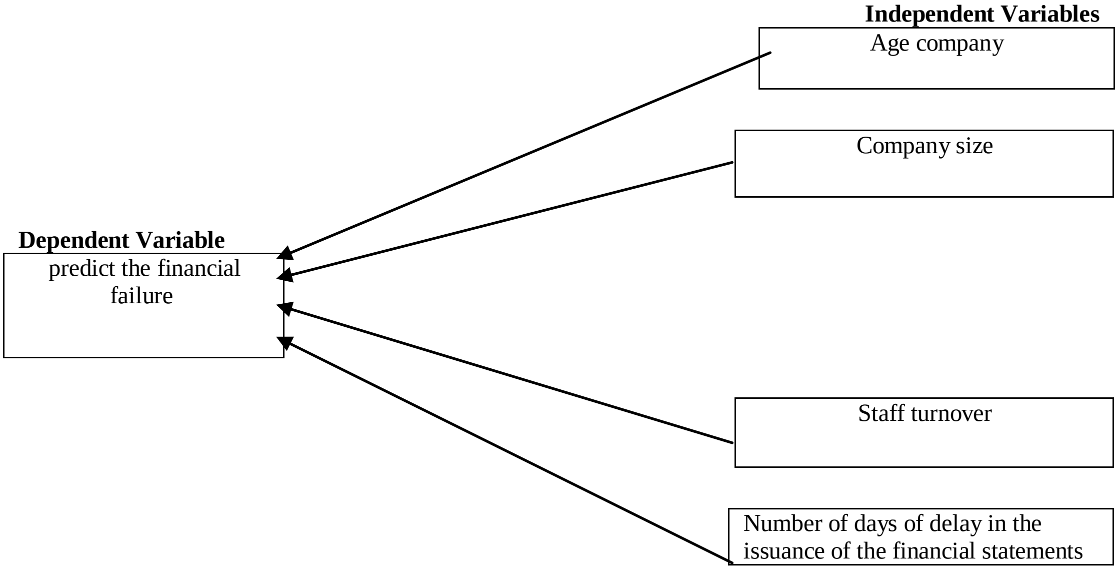
Seen through the presentation of studies and research related to that most studies have examined the financial indicators, but it has been giving non-financial indicators important occasion as a tool for predicting financial failure, ie, that there is a scarcity on indicators of non-financial tool for predicting financial failure, as many researchers have recommended studying the indicators So non-financial current study seeks to examine the impact of non-financial indicators to predict the financial failure through the annual reports of companies.

3 RESEARCH HYPOTHESIS

This study seeks to test the following hypothesis:

No effect of non-financial indicators contained in the annual reports of companies to predict the financial failure?

Model study:



$$\mathbf{Z = a_0 + X_1a_1 + X_2a_2 + X_3a_3 + \ldots\ldots\ldots\ldots X_na_n}$$

Where:

X = The dependent variable (non-financial index) chosen by multiple regression analysis as a variable has an effect on financial failure prediction.

a = The relative importance of the independent variable (non-financial index).

$\mathbf{a_o}$ = Factories hard for all of the variables in the equation.

Z = To predict financial failure

4 RESEARCH METHODOLOGY

4.1 Study Population and Sample

The study populations consisted of the Jordanian public joint-stock industrial companies at Amman Stock Exchange (Bourse), which amounted 82 hundred companies till 2000-2008, as per the information taken from Amman Bourse and the Library of Jordan Securities Commission. Meanwhile, the study sample consisted of (24) public, joint-stock, industrial companies, which were selected based on the random sample method. Accordingly the study sample represented (30%) of the total study population, a rate that is suitable for the purposes of achieving such research works (Zikmound, 2000). The study sample consisted of (24) public joint stock industrial company (12) distressed company and (12) is stalled. The researchers considered that the companies made losses for two consecutive years or filtered according to financial statements published on the Amman Stock Exchange during the period of the year (2000 - 2008) is distressed companies, that they may have founded a year ago (2000). It will offset the same number companies is faltering also founded a year ago (2000), and based on what has been previously reported, were excluded troubled companies that were not their full or it was founded a year after (2000), and thus the study sample represents about(30%) of the study population. That it is good for the purposes of completion of such studies, and sample is representative of the population of the study in order to rely on the results of the study.

The researchers calculates the non-financial corporate distressed and non-distressed for the past nine years.

4.2 Research Procedures and Statistical Treatment

Data analyses and processing were carried out using the statistical package for the social sciences (SPSS) version 17 for windows; To achieve the purposes of this study, the researchers used multiple regression analysis to measure the impact of variables to predict financial failure, resorting to this method requires the researchers must first select the desired categories in the study (study sample), and in the current study is the industrial public shareholding companies.

5 ANALYSES AND DISCUSSION OF RESEARCH HYPOTHESES

The main purpose it aims researcher achieve the current study to determine the impact of non-financial indicators (variables) to predict the financial failure of the companies, and that to achieve this purpose comes through answering the following question:
What is the effect of non-financial indicators to predict the financial failure of the public shareholding industrial companies? And can answer a question for the study through the following hypothesis:
No effect of non-financial indicators to predict the financial failure of the public shareholding industrial companies.
Through the presentation of the results of the analysis of the hypothesis, the researcher seeks to answer the study question is,
What is the effect of non-financial indicators to predict the financial failure?
As we mentioned earlier, there are steps that must be undertaken in order to achieve the objective of the study President, here researchers used multiple regression analysis to determine the impact of non-financial indicators to predict the financial failure, and to test this hypothesis the researchers used multiple linear regression analysis results described in the table No. (1) :

Results Multiple linear regression analysis to examine the impact of the use of non-financial indicators to predict the financial failure of the public shareholding industrial companies

Non-financial indicators	partial R2	Partial F	Indication level f partial	R2 total value of model	f value for the model	Significance level f model	R
Staff turnover	0.424	140.56	.000	0.560	59.72	0.000	0.748
Number of days of delay in the issuance of the financial statements	0.050	18.003	.000				
Company size	0.048	20.325	.000				
Age company	0.038	14.850	.000				

Table No. (1) the results of analysis of multiple linear regression to examine the impact of non-financial indicators to predict the financial failure of industrial companies public shareholding data indicate the table to the indicators that have been accepted consists of (4) indicators non-financial terms of the value of the correlation coefficient of the equation (0.748) , while the value of f calculated for the equation (59.72), where we found this value that the equation is able to explain the dependent variable, (forecasting a stalled companies), and is this relationship acceptable from a statistical point, because the value of f calculated at the level (0.000) was less than 0.05. Notes by the value of R2 The equation Overall explain representing 0.560)%) of the variation of the dependent variable (forecasting a stalled industrial companies), so when you take all the independent variables which have been accepted, was variable (staff turnover) more non-financial indicators can explain Contrast winning in the dependent variable is forecasting a stalled companies, reaching the level of interpretation (42.4%), while the less these indicators explanation for variation of the dependent variable (forecasting a stalled industrial companies) is the company's life where this indicator by adding interpretation by (3.8%), the lowest interpretation added ratio among all financial indicators consisting of the equation. The above, we can say that all values for all variables are statistically significant, and depending on the value of partial F and the significance level sig F, where all values were less than 0.05. Therefore reject the null hypothesis - the hypothesis of the study - and accept the alternative hypothesis that there is an effect of non-financial indicators to predict the financial failure of the public shareholding industrial companies. In order to obtain the values of non-standard transactions that typically make up the test model, the researcher used "T "The results were as shown in Table No. (2)

T test results of non-financial indicators

Non-financial indicators	t value	Significance level t	Parameter value	Hard limit
Staff turnover	-10.511	0.000	-1.381	
Number of days of delay in the issuance of the financial statements	-5.83	0.000	-0.006	
Age company	-4.678	0.000	-0.010	
Company size	4.508	0.000	0.101	-0.618

Table No. (2) test results "T" and the values of transactions equation and reduce hard "indicators of non-financial influential in predicting financial failure of industrial companies public shareholding, and demonstrate the value of T calculated for each indicator in the equation the importance of this indicator from a statistical point, where it is noted that all values significance level calculated and accompanying value T to be less than 0.05, indicating a linear relationship between each indicator of non-financial indicators (independent variable influential) and the dependent variable (forecasting a stalled companies), and reflect the values of transactions value quantitative impact in the equation that can be identified, where notes that the most important of these indicators in terms of the value to predict the effect is the staff turnover rate as the value of laboratories (1.381), while the index was the number of days of delay in the issuance of the financial statements less impact indicators as the value of the treatment (0.006).

6 CONCLUSIONS

Showed results of the analysis of the study that the indicators of non-financial impact on forecasting financial failure of industrial companies, although of great importance to the survival of businesses and continuity and prosperity, and the study revealed that the rate of staff turnover great importance and significant impact on forecasting a stalled companies, although the proportion contribution stumble also elevated higher the staff turnover high indicates that the company is heading towards defaulting, and found that companies that had a turnover rate higher, mostly within the troubled companies, and this corresponds with a rating researcher, the study revealed that the rate of staff turnover in troubled companies is high, but in the companies is stalled Low, indicating that the loss of staff constantly costing the company a lot, where the staff experienced and efficiency are considered an asset to the company and that shedding the company for their services is one of the specifications weak governance (loss competencies), even though not an employee of the owners of experience, that the process of staff turnover down indicates a lack of management decisions stability. Depending on the above it can be said that the high rate of staff turnover gives an indication that the company is heading towards defaulting, and this is what showed the independent variable delay in the issuance of the financial statements as well, and this is consistent with the study (Matar, 2001) and study (Arzinta, 1976) and study (Shaibani , 2009).From the results of the statistical analysis shows the researchers that the low rate of staff turnover was an indication not to stumble, as well as for the delay issuing financial statements show that the company is faltering usually issued its financial statements within the legal limit, i.e. that there is no delay issuing financial statements either troubled companies usually What delayed the issuance of its financial statements, which means that the company, which delayed the issuance of its financial statements was an indication of faltering. Which means,

- The influential non-financial indicators to predict a stalled companies.
- The efficiency of the management and staff of the most important elements of the success of the facility.
- The job stability of the most important elements of success and the appearance of faltering.
- The delay in the issuance of the financial statements and notes for the period specified by law is considered an indicator of corporate financial distress.

7 Recommendations:

Through analysis of previous findings, the researcher recommends the following:

- the departments of companies when you desire to predict the future by putting that greatly interested non-financial indicators.
- give job security for employees within companies of great importance in order to create stability in the situation of companies.
- When the desire interested in predicting the financial failure of the companies to be taking into account the turnover of employees in the company.
- When the interested assess the future status of companies must take into account the extent to which companies issuing financial statements within the legal period.
- researcher recommends conducting studies and other research regarding non-financial indicators and taking into account the following variables and their importance, such as: changes in tax laws and in particular, technological changes, disclosure, corporate governance.

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[a]Holds a philosophy degree in accounting year(2010-2011) from Amman Arab University, and a degree in accounting a master's degree in (2007) from Amman Arab University, and BA from the University of Ibid in (2004), has published several research in a number of international journals.

[b]Holds a Doctorate of Philosophy in 2008 majoring economy and Islamic banks, and Masters in 1993, and BA in 1988 from the University of Yarmouk, has several books and a number of published papers.