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The Relationship between Each of (Return on Equity & Return on Asset) and Annual Return in the Abu Dhabi Securities Exchange (ADX): Evidence from United Arab Emirates

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Abstract
This study aims to discover the relationship between each of Return on Equity & Return on Asset and Annual Return in the Abu Dhabi Securities Exchange (ADX). The researcher takes approximately 50% as a random sample of the companies listed in ADX, for many sectors to achieve this goal.After the researcher collect the data needed to achieve this study, he calculate some of ratios as variables of study, like the annual Return for the companies (R_{it}), Return on Asset (ROA), Return on Equity (ROE) he used Statistical Package for the Social Science (SPSS) to analyze the data collected.The result of this study were the existence significant relationship between the (ROA, ROE) and the Annual Return (Rit) in the companies listed in the Abu Dhabi Securities Exchange (ADX), and the ROA and ROE together as Independent Variables explain (22%) of the changes that happened in the Dependent variable (Rit).And significant relationship between the Return on Assets (ROA) only and the Annual Return (Rit) in the companies listed in the Abu Dhabi Securities Exchange (ADX), and the ROA alone as Independent Variable explain (13.6%) of the changes that happened in the Dependent variable (Rit). And significant relationship between the Return on Equity (ROE) only and the Annual Return (Rit) in the companies listed in the Abu Dhabi Securities Exchange (ADX), and the ROE alone as Independent Variable explain (20.4%) of the changes that happened in the Dependent variable (Rit).
JEL classification: ***G20, G21, G24, G30, G31***
Keywords: Abu Dhabi securities Exchange **(ADX),** Return on Assets **(ROA),** Return on Equity **(ROE)**, Annual Return **(R_{it}).**

1. Introduction

Abu Dhabi Securities Exchange (ADX) was established on 15th of November 2000 by Local Law No. (3) of 2000, the provisions of which vests the Market with a legal entity of autonomous status, independent finance and management, and gives ADX the necessary supervisory and executive powers to exercise its functions. Moreover, ADX has the authority to establish centers and branches outside the Emirate of Abu Dhabi, and so far it has done so in Al Ain, Zayed City, Fujairah, Ras Al Khaimah and Sharjah.

The ADX function shows through some features like Provide opportunities to invest savings and funds in securities in order to benefit the national economy. Ensure the soundness and accuracy of transactions and ensure the interaction between demand and supply in order to determine the prices. Protect investors through establishing fair and proper dealing principles between various investors. Impose stringent controls over securities transactions to ensure sound and conduct procedure. Develop investment awareness by conducting studies in order to ensure that savings are invested in productive sectors. Support financial and economic stability and develop trading methods in order to enhance the liquidity and stability of prices of all Securities listed on the market.

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as *"return on investment"*

But the Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Lo and MacKinlay (1990) argue that large firm stock returns respond faster to new information compared with small firm stock returns and large firm stock returns lead small firm stock returns. Richardson and Peterson (1999) and Wang et al. (2009) find empirical support for the Lo-MacKinlay hypothesis. Wang et al. (2009) demonstrate that large firm stock returns respond faster than small firm stock returns and large firm stock returns lead small firm stock returns in stock market crashes.

Main goal of investment is practically to achieve return. Return on share depends on changes in price per share at the end of the investment period and received dividend. Dividend is the most common distribution of return through firms to shareholders; however, firms do not similarly act in distributing dividend and adopt different strategies which can cover a spectrum of unpaid dividend to payment of all revenues. An investment

opportunity indicates a series of investment policies and strategies which are constantly revised over time. Investment opportunity may include environmental factors providing desirable conditions for the firm such as growing market for (domestic and international) products or competition restricting factors, changes in exchange rate for interests of the firm, financial situation promising a reliable future for the industry and identification of new market. Management tries to maximize wealth of common shareholders. Bigdeli G. and Bidgolo M (2006) Return on Equity (ROE) & Return on Assets ratios are the best standard to measure success or failure of the management in achieving this goal. These ratios emphasizes that return on earning depends on the amount invested by shareholders.

Some authors have focused on liabilities of the firm and their effect on earning or price of the share based on knowledge. Faulkender and Wang (2006) final value of an extra dollar decreases regarding its cash at the beginning of the year. That is, the more cash kept by the firm at the beginning of the year, the lower value perceived by shareholders for an extra dollar during the financial year.

In 1999, Sanji and Mark studied the relationship between investment opportunities and realized return followed by studies of Gul and Tsui to analyze effects of investment opportunities, free cash flows and firm size on liability strategy. They found that these factors were significantly related in different levels of investment opportunities of a firm. Whereas, Gul studied the relationship between free cash flows and auditing wedge considering investment opportunities in Hong Kong.

Financing choices refer to corporate decisions resulting in an optimal capital structure. This represents a corporate financing mix, which maximizes the value of the company and its market share price. Real economies are imperfect and unstable, offering investors limited access to external funds, due to information asymmetry and high transaction costs. While large financial markets ensure continuous trading activity by providing large liquidities for market participants, developing markets dispose of fewer securities, offering investors limited trading opportunities (Burhop & Gelman, 2009). These constraints induce a preference for debt when it comes to accessing external finance for companies operating in developing countries, and thus these companies are expected to have relatively stable equity.

This Article intends to find some results about the relationship between the Return on Assets (ROA) & Return on Equity (ROE) as profitability Ratios and the Annual Return in the companies listed in Abu Dhabi securities exchange (ADX). Through a three-stage analysis, regression and factor analysis. Although the literature on such a relationship is very broad, studies on Abu Dhabi are limited in terms of the dimension of their samples. The sample analyzed in this paper consists of 45% listed companies in (ADX).

2. Literature Review

Some research studies have been undertaken on the working capital management practices of both large and small firms in India, UK, US and Belgium using either a survey based approach (Burns and Walker, 1991; Peel and Wilson, 1996) to identify the push factors for firms to adopt good working capital practices or econometric analysis to investigate the association between WCM and profitability (Shin and Soenen, 1998; Anand, 2001; Deloof, 2003).

The relationship between Profitability and Returns is not clearly stated. There are studies demonstrating a positive relationship between ROE and Annual returns in many emerging markets, more specifically return on equity, while ROA carries a negative impact (Abor, 2005). A negative correlation between leverage and performance, described by return on assets, was found in Chinese firms (Huang & Song, 2006; Chakraborty, 2010). There are also studies which could not find a significant relationship between Assets and Equity with the Annual Return (Ebaid, 2009).

Whereas many Returns determinants have an influence on profitability, the research on the relationship between these variables usually employs some of these determinants. Although Abu Dhabi listed companies use more equity in order to sustain their investments, they try to finance most of their fixed assets with internal funding. And the following are many of literatures in the regard of this article's subject:

2.1. Study of (Senthilmani Thuvarakan, 2013): **Impact of Working Capital Management on Profitability in UK Manufacturing Industry**, **London** South Bank University, published Dissertation MSc. Accounting with Finance, social science research network: ISSN: id2345804.

Working capital management is given higher priorities by the corporate world. Companies which are effectively using their working capital components are likely to have competitive advantage over their competitors. The purpose of this research is to investigate the relationship between the working capital components and corporate profitability in different industries. 60 manufacturing companies, 20 construction companies and 17 telecommunication companies listed on the London stock exchange is used for this research covering the period of 2006-2011.

The dependent variable, profitability is measured using gross operating income. The independent variables are receivable days, Payable days, inventory days, cash conversion cycle, debt, and size of the firm,

Pearson's correlation and regression analysis to explore the relationship between the profitability and the working capital components. The results show that there is no significant relationship between the working capital components and profitability. There is a negative relationship between gearing and profitability in manufacturing firms.

2.2. Study of (Abuzar M.A. Eljelly, 2004): **Liquidity - profitability tradeoff: An empirical investigation in an emerging market**, International Journal of Commerce and Management, ISSN: 1056-9219, Vol. 14: 2, pp.48 - 61.
This study empirically examines the relation between profitability and liquidity, as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock companies in Saudi Arabia. Using correlation and regression analysis the study found significant negative relation between the firm's profitability and its liquidity level, as measured by current ratio.
This relationship is more evident in firms with high current ratios and longer cash conversion cycles. At the industry level, however, the study found that the cash conversion cycle or the cash gap is of more importance as a measure of liquidity than current ratio that affects profitability. The size variable is also found to have significant effect on profitability at the industry level. Finally, the results are stable over the period under study.

2.3. Study of (Morris Lamberson , 1995): **Changes in Working Capital of Small Firms in Relation to Changes in Economic Activity**, University of Central Arkansas, American Journal of Business, Vol. 10: 2, pp.45 – 50
This paper studies how the working capital position of small firms responds to changes in the level of economic activity. Fifty small firms were studied for the time period 1980 - 1991. The findings from this study showed that liquidity increased slightly for these firms during economic expansion with no noticeable change in liquidity during economic slowdowns.
Their investment in working capital, as measured by the inventory to total assets and current assets to total assets ratios, were relatively stable over the time period of this study. Findings suggest that working capital management practices of small firms in response to changes in economic activity do not follow commonly held expectations.

2.4. Study of (Marian , Circiumaru, Simion, 2012):**The Correlation between the Return on Assets and the Measures of Financial Balance for Romanian Companies**, INTERNATIONAL JOURNAL OF MATHEMATICAL MODELS AND METHODS IN APPLIED SCIENCES Issue 2, Volume 6, pp. 249-256
The paper studies the statistical correlation between the return on assets and some measures of financial balance. The research relies on the assumptions that the financial balance influences most of the indicators of performances of a company. Therefore, we chose the return on assets as dependent variable, as it represents the final result of the company's business. As independent variables, meaning measures that point out the financial balance, we selected 24 indicators.
All these indicators were calculated for 40 Romanian companies listed on Bucharest Stock Exchange and included a period of 4 years between 2007 and 2010. The data required to calculate these indicators were extracted from the annual financial statements of these companies. The study includes two years of economic growth for Romania (2007 and 2008) and two of downturn (2009 and 2010).
It is thus expected that most indicators analyzed to worsen in the past two years. We concluded, at the end of research, that the profitability of the Romanian firms declined as a result of the economic crisis. Before crisis (2007) it was significantly influenced by the financial structure and the financial balance. After the crisis, the importance of indicators emphasizing the business administration (as profit margin and rates of turnover) increased, but also the importance of the random external factors, uncontrollable by the management.

2.5. Study of (Jessica A. Wachtera, Missaka, 2009): **Predictable returns and asset allocation: Should a skeptical investor time the market?** Journal of Econometrics Vol 148, pp.162-178.
This article investigates optimal portfolio choice for an investor who is skeptical about the degree to which excess returns are predictable. Skepticism is modeled as an informative prior over the R2 of the predictive regression. We find that the evidence is sufficient to convince even an investor with a highly skeptical prior to vary his portfolio on the basis of the dividend-price ratio and the yield spread. The resulting weights are less volatile and deliver superior out-of-sample performance as compared to the weights implied by an entirely model-based or data-based view.

3. The Study Objective

3.1. Measuring the Annual Return as a holding period return (HPR) for the companies listed in Abu Dhabi Securities Exchange (ADX) during the period between (31/12/2012) to (31/12/2015).

3.2. Measuring Profitability Ratios for the companies listed in Abu Dhabi Securities Exchange (ADX); for the same period above, which are mean calculating returns on asset & returns on equity.

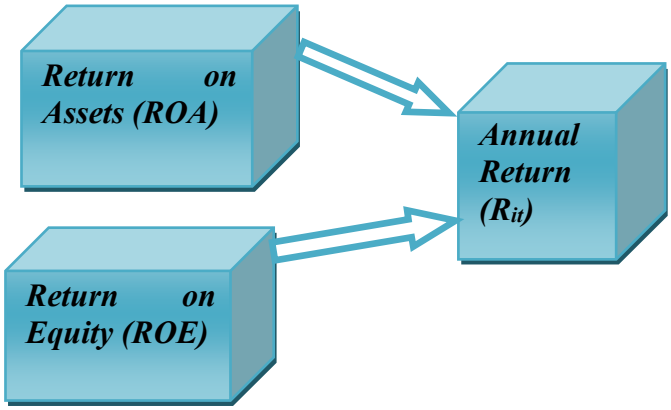
3.3. Trying to derive mathematical model to measure the Relationship between the Annual Return & (ROA, ROE) in the Abu Dhabi Securities Exchange (ADX) for the same period above.

4. The Study Model

4.1. Virtual Model

This study aims to discover of the relationships between the Annual Return & (ROA, ROE) in the Abu Dhabi Securities Exchange (ADX), so the researcher put the following virtual model to clarification this relationship:

Figure 1: Virtual Model: Relationship between Rit, ROA and ROE



Where,
ROA: Return on Assets
ROE: Return on Equity
R_{it}*: The Actual Return for the Company (i) for the Period (t)*

4.2. Mathematical Model

Depend on virtual model that suggested by researcher, he put the following equation: (*Equation*: 1)

$$R_{it} = \alpha + \beta_1 * ROA + \beta_2 * ROA + \bar{e} \quad (1)$$

Where,
ROA: Return on Assets
ROE: Return on Equity
R_{it}*: The Annual Return for the Company (i) for the Period (t)*
é：Random Error

5. The Study Hypotheses

According to the Mathematical model above, the researcher derives the following Hypotheses:

5.1. The Main Hypothesis

H0: there is no significant relationship between the (ROA, ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).
H1: there is significant relationship between the (ROA, ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

5.2. The 1st sub-Hypothesis

H0: there is no significant relationship between the Return on Assets and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).
H1: there is significant relationship between the Return on Assets and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

5.3. The 2nd sub-Hypothesis

H0: there is no significant relationship between the Return on Equity and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

H1: there is significant relationship between the Return on Equity and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

6. The Study Variables

6.1. Independent Variable: Return on Assets (ROA) & Return on Equity (ROE)

Profitability is the goal of all business ventures. Without it the business will not survive in the long run. Profitability is measured with income and expenses. Income is money generated from the activities and the investments in assets.

Increasing profitability is one of the most important tasks of the business managers. Managers look for ways to change the business to improve profitability. These potential changes can be analyzed with a pro forma income statement or a Partial Budget. Partial budgeting allows you to assess the impact on profitability of a small or incremental change in the business before it is implemented. A variety of Profitability Ratios can be used to assess the financial health of a business.

These ratios, created from the financial statement. In this study Profitability will be measured by Return on Assets (ROA) & Return on Equity (ROE) and it will measure as:

$$ROA_{it} = N.I_{it} \div T.A_{it} \quad (2)$$

Where,
ROA_{it}: Return on Assets
$N.I_{it}$: Net Income
$T.A_{it}$: Total Assets

$$ROE_{it} = N.I_{it} \div T.E_{it} \quad (3)$$

Where,
ROE_{it}: Return on Equity
$N.I_{it}$: Net Income
$T.E_{it}$: Total Equity

6.2. Dependent Variable: The Annual Return (R_{it})

Stock return (Rit) has been measured during each financial period by using the equation of the return divided by the acquisition period (HPR: Holding Period Return). Annual stock return is considered to be the only dependent variable in this study:

$$R_{it} = (P_t - P_{t-1}) \div (P_{t-1}) \quad (4)$$

Whereas,
R_{it}: return on acquisition period representing return on stock
$P_{(t)}$: stock price at the end of year
$P_{(t-1)}$: stock price at the beginning year

7. The Study sample & period

7.1. The study sample

There are many sectors in the Abu Dhabi Securities Exchange (ADX), But it consider a small number companies in this financial market compared to other markets, so the researchers take approximately 50% as random sample from the a whole companies listed in (ADX). The following table includes the study sample:

Table 1: The Study Sample

SR	Sector	Symbol	Company
1	Services	ADAVIATION	Abu Dhabi Aviation Co.
2	Insurance	ABNIC	Al Buhaira National Insurance Company
3	Services	ADNH	Abu Dhabi National Hotels
4	Insurance	ADNIC	Abu Dhabi National Insurance Co.
5	Industrial	ADSB	Abu Dhabi Ship Building PJSC
6	Consumer Staples	AGTHIA	AGTHIA GROUP PJSC
7	Banks	ADCB	Abu Dhabi Commercial Bank
8	Banks	ADIB	Abu Dhabi Islamic Bank

A random sample among the companies in the (ADX) has been chosen for conducting this study after omitting all companies which didn't meet the following criteria:

7.1.1. Trading in the company stocks wasn't suspended according to a decision made by the board of directors of the market during the period from 31/12/2012 till 31/12/2015

7.1.2. Trading in the company stocks wasn't interrupted, and its type of ownership wasn't transformed or merged during the period from 31/12/2012 till 31/12/2015

7.1.3. Availability of sufficient data such as income statement, balance sheet in order to calculate financial indicators and ratios that were used in this study

7.1.4. Availability of all monthly closing prices for the companies stocks during the whole period in which the study was conducted.

7.2. The Study Period

The Period of this study represents 31/12/2012- 31/12/2015 including the financial statement (balance sheets & income statement) and the monthly closing price for each company in the study sample for this period.

8. Data Collecting

The researchers used two types of data tools:

8.1. Secondary Sources: Companies Guide issued by the (ADX) (several versions) covering the period of the study. And Annual reports and financial statements for the companies included in the study sample.

8.2. Primary Sources: Metrics and ratios which necessary to accomplish the purposes of the study, represented in the calculation each of: **ROE**,**ROA,** and $\mathbf{R_{it}}$

9. Data Analysis Methods

Adopting the statistical analysis method SPSS (Statistical Package for Social Sciences) based on examining coefficient of determination (R^2) in addition to the adjusted coefficient of determination (Adjusted R^2). The coefficient of determination (R^2) measures to which degree the dependent variable is affected by independent variables.

If all the changes occurring in the dependent variable are derived from the changes that occur in the independent variables, the coefficient of determination will be equal to one. The more the coefficient is close to number one; this will give us an impression that independent variables have a huge impact on the dependent variable. We can also refer to (Adjusted R^2) in order to explain the results with more accuracy.

10. Analyzing Data

For the purpose of testing hypotheses the researcher used SPSS method to gain the following tables as an output from the SPSS:

Table 2: Correlations

		Rit	ROE	ROA
Rit	Pearson Correlation	1	.451**	.369*
	Sig. (2-tailed)		.010	.038
	N	32	32	32
ROE	Pearson Correlation	.451**	1	.593**
	Sig. (2-tailed)	.010		.000
	N	32	32	32
ROA	Pearson Correlation	.369*	.593**	1
	Sig. (2-tailed)	.038	.000	
	N	32	32	32

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Pearson Correlation - These numbers measure the strength and direction of the linear relationship between the two variables. The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. (A variable correlated with it will always have a correlation coefficient of 1.) You can think of the correlation coefficient as telling you the extent to which you can guess the value of one variable given a value of the other variable. Sig. (2-tailed) - This is the p-value associated with the correlation. The footnote under the correlation table explains what the single and double asterisks signify.

Table 3: Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	ROA, ROE[b]	.	Enter

a. Dependent Variable: Rit
b. All requested variables entered.

The table (3) above shows Variables Entered/Removed and as we see there is no data removed from the SPSS after the researcher entered it, which are mean all data were Relevance to be regression.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469[a]	.220	.166	.385773

a. Predictors: (Constant), ROA, ROE

The table (4) above shows the model summary and according to our case study, the table consider very important, it shows the following:

Model Summary Table:

- R: Multiple correlation coefficients between all the predictors in the model and the Dependent variable.
- R Square: (R^2) Proportion of variance in the dependent variable predictable by the predictor variables
- Adjusted (R^2): As more predictors are added to the model equation, they will explain more variance just by chance—this "shrunken R-squared" adjusts (or penalizes) the R^2 dependent on the number of variables used in the equation.
- Std. Error of the Estimate: The standard error of the estimate, also called the root mean square error, is the standard deviation of the error term, and is the square root of the Mean Square Residual (or Error).

Table 5: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.214	2	.607	4.078	.000[b]
	Residual	4.316	29	.149		
	Total	5.530	31			

a. Dependent Variable: Rit
b. Predictors: (Constant), ROA, ROE

ANOVA table above: This reads just like our other ANOVA source tables, and tells you the F-ratio (and likelihood) associated with the amount of variance the predictors explain in the dependent variable.

Table 6: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.214-	.121		-1.766-	.088
	ROE	2.475	1.408	.358	1.758	.000
	ROA	2.356	3.062	.157	.770	.000

a. Dependent Variable: Rit

In the Coefficients table (6) above,

- B: These are the values for the regression equation for predicting the dependent variable from the independent variable. These are called unstandardized coefficients because they are measured in their natural units. As such, the coefficients cannot be compared with one another to determine which one is more influential in the model, because they can be measured on different scales.
- Std. Error: These are the standard errors associated with the coefficients. The standard error is used for testing whether the parameter is significantly different from 0 by dividing the parameter estimate by the standard error to obtain a t-value (see the column with t values and p-values).
- Beta: These are the standardized coefficients. These are the coefficients that you would obtain if you standardized all of the variables in the regression, including the dependent and all of the independent variables, and ran the regression. By standardizing the variables before running the regression, you have put all of the variables on the same scale, and you can compare the magnitude of the coefficients to see which one has more of an effect. You will also notice that the larger betas are associated with the larger t-values.

11. Hypotheses Testing

11.1. The Main hypothesis

H0: there is no significant relationship between the (ROA, ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

By return to the table (5) as shown below, the relationship between dependent & predictors (independent) variables existed in this table:

Table 5: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.214	2	.607	4.078	.000[b]
	Residual	4.316	29	.149		
	Total	5.530	31			

a. Dependent Variable: Rit
b. Predictors: (Constant), ROA, ROE

The results indicate that the overall model is statistically significant (F = 4.07, p = 0.000). Furthermore, all of the predictor variables are statistically significant. Which is mean there is significant relationship between the (ROA, ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012 - 31/12/2015).This mean **Accept** the main Hypotheses.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469[a]	.220	.166	.385773

a. Predictors: (Constant), ROA, ROE

In addition to the previous result; According to the output shown in the table (4) above, R^2 (R-Square) value above, (R- Square = 0.220: 22%), which is mean this model can explains (22%) of the changes that happened in the Dependent variable (R_{it}), in other meaning the ROA and ROE can explain 22% of changes that happened in $R_{it.}$

11.2. The 1st sub- Hypothesis

H0: there is no significant relationship between the Return on Assets (ROA) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

The SPSS output table (7) below shows the result of the 1st sub-hypothesis.

Table 7: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.105	.108		-.973	.005
	ROA	5.548	2.550	.369	2.176	.000

a. Dependent Variable: Rit

We see that the relationship between ROA and R_{it} is positive (B=5.548) and based on the t-value= (2.176) and p-value (sig = 0.000), we would conclude this relationship is statistically significant. Hence, we would say there is a statistically significant positive linear relationship between ROA and R_{it}. this meaning there is significant relationship between the Return on Assets (ROA) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015). So the researcher **Accept** the 1st sub- hypothesis.

And for the Explanatory Power for the independent variable to the dependent variable the researcher used the table (8) below:

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.369[a]	.136	.108	.398985

a. Predictors: (Constant), ROA

The R^2 above shows a value 13.6% which is mean this model can explains (13.6%) of the changes that happened in the Dependent variable (R_{it}), in other meaning the ROA can explain 13.6 % of changes that happened in R_{it}.

11.3. The 2nd sub- Hypothesis

H0: there is no significant relationship between the Return on Equity (ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

The SPSS output table (9) below shows the result of the 2nd sub-hypothesis.

Table 9: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.194-	.118		-1.649-	.001
	ROE	3.118	1.126	.451	2.769	.000

a. Dependent Variable: Rit

We see that the relationship between ROE and R_{it} is positive (B=3.118) and based on the t-value= (2.769) and p-value (sig = 0.000), we would conclude this relationship is statistically significant. Hence, we would say there is a statistically significant positive linear relationship between ROE and R_{it}. this meaning there is significant relationship between the Return on Equity (ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015). So the researcher **Accept** the 2nd sub- hypothesis.

And for the Explanatory Power for the independent variable to the dependent variable the researcher used the table (10) below:

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451[a]	.204	.177	.383142

a. Predictors: (Constant), ROE

The R^2 above shows a value 20.4% which is mean this model can explains (20.4%) of the changes that happened in the Dependent variable (R_{it}), in other meaning the ROE can explain 20.4 % of changes that happened in R_{it}.

12. Results of study

After the researcher test the hypotheses he found the following:

12.1. There is significant relationship between the (ROA, ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012 - 31/12/2015).

12.2. The ROA and ROE together as Independent Variables explain (22%) of the changes that happened in the Dependent variable (R_{it})

12.3. There is significant relationship between the Return on Assets (ROA) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

12.4. The ROA alone as Independent Variable explain (13.6%) of the changes that happened in the Dependent variable (R_{it}).

12.5. There is significant relationship between the Return on Equity (ROE) and the Annual Return (R_{it}) in the companies listed in the Abu Dhabi Securities Exchange (ADX) for the period (31/12/2012-31/12/2015).

12.6. The ROE alone as Independent Variable explain (20.4%) of the changes that happened in the Dependent variable (R_{it}).

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