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Analyzing the Effects of Profitability, Liquidity, Credit Risk and Efficiency on Commercial Bank Performance: Evidence from Jordan

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ABSTRACT

This research aims to examine the various risk factors that affect Jordan's banking sector, such as credit risk, liquidity, profitability, and operational efficiency. The study involved thirteen commercial banks on the Amman Stock Exchange that were listed during the period 2010-2023. Capital adequacy, return on assets, net interest margin, and nonperforming loans were the independent variables. As a dependent variable, the loan-to-deposit ratio measures the bank's institutional performance. The study used multiple linear regression, correlation, and analysis of variance. The results show that there is a positive correlation between the loan to debt ratio, capital adequacy ratio, net interest margin, and return on assets. Conversely, Loan-to-deposit ratios are lowered by nonperforming loans. This study offers a thorough examination of the relationship between operational effectiveness and liquidity and the long-term prosperity of the banking sector, which may further suggest successful policymaking. Also, this study adds to previous research by offering concrete data regarding how financial ratios affect commercial banks' performance. especially in less developed countries such as Jordan.

Keywords: Return on Assets, Net Interest Margin, Nonperforming Loans, Loan to Deposit Ratio, Capital Adequacy Ratio