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RISKS AND BANK PERFORMANCE IN JORDAN

BY

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(817760)

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(International Accounting)
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ABSTRACT

Issue that revolves around risks and bank performance has always been an essential and critical element for banking sector in Jordan. Indeed, this study examines the impact of risks on bank performance in Jordan. Data of this study were retrieved from the Data Stream and annual reports of listed banks in Amman Stock Exchange (ASE). The sample of study comprises of 15 banks in Jordan and the period of study is confined to 2010-2014 which involved 75 observations. The dependent variable of this study is bank performance which was measured by using ROA while risks’ hypotheses variables are operational risk, credit risk, and liquidity risk. The results show that operational risk and credit risk have a negative significant relationship with ROA while liquidity risk is found to have a positive insignificant relationship with ROA. Also, the study discovers that the relationship between firm size and ROA is negatively significant while the relationship between bank age and ROA is found to be positively significant. Finally, the result of the relationship between management change and ROA is positively insignificant. Hence, hypotheses of significant relationship between operational risk and credit risk with bank performance are supported while hypothesis of significant relationship between liquidity risk and bank performance is not. Moreover, the study provides suggestions and recommendations for future research work.

Keywords: Operational Risk, Credit Risk, Liquidity Risk, Return on Assets, Bank Institution.
ABSTRAK


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Marwan Hasan Altarawneh
December, 2016
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<td>ROA</td>
<td>Return on Asset</td>
</tr>
<tr>
<td>OR</td>
<td>Operational Risk</td>
</tr>
<tr>
<td>CR</td>
<td>Credit Risk</td>
</tr>
<tr>
<td>LQ</td>
<td>Liquidity Risk</td>
</tr>
<tr>
<td>FIRMSIZE</td>
<td>Firm Size</td>
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<tr>
<td>BANKAGE</td>
<td>Bank Age</td>
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<tr>
<td>MCHANG</td>
<td>Management Change</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
</tr>
<tr>
<td>CBJ</td>
<td>Central Bank of Jordan</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ASE</td>
<td>Amman Stock Exchange</td>
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<td>MLR</td>
<td>Multiple Linear Regressions</td>
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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The banking sector is the backbone and major component of the financial system. Thus, it will give impact to the stability of an economy. Any problem and interference that happens in the banking system will give implications for the economic conditions of a country (Akkizidis & Khandelwal, 2007). It means the good economic conditions have resulted from good strategies and good management in handling and controlling any problems that occur around the country.

According to Ayub (2009) the word ‘bank’ is derived from an Italian word ‘banco’ which means shelf or bench. It is used to display coins and for trading money. Therefore, a bank is an institution authorized to take deposits from customers for their financial purposes in expanding their short term and long term finance facilities. He also described that the role of a bank is to keep money which is received from ordinary people, organizations, state or surplus units which are in circulation of the economy in a country. Then, the bank will use this pooled money for making advances to others to get a return. The return can be in the form of interests, dividends or others.

Since the bank is a very important component between surplus and deficit units in the economy, it needs to maintain and perform their services efficiently (Iqbal & Molyneux, 2016). Banks with efficient performance can attract many customers in order to maintain the economic condition in the country (Iqbal & Molyneux, 2016).
The contents of the thesis is for internal user only
REFERENCES


# Appendix A

**List of Banks in Jordan and Their Websites**

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<th>Websites</th>
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<td>Arab Jordan Investment Bank</td>
<td><a href="http://www.ajib.com">http://www.ajib.com</a></td>
</tr>
<tr>
<td>7.</td>
<td>Arab Banking Corporation</td>
<td><a href="https://www.bank-abc.com">https://www.bank-abc.com</a></td>
</tr>
<tr>
<td>8.</td>
<td>Invest Bank</td>
<td><a href="http://www.investbank.jo">http://www.investbank.jo</a></td>
</tr>
<tr>
<td>15.</td>
<td>Arab Bank</td>
<td><a href="http://www.arabbank.jo">http://www.arabbank.jo</a></td>
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*Source: Central Bank of Jordan (CBJ) annual report, 2015.*