



Analyzing the Financial Performance of Islamic Banks: A Case Study for Islamic Banks Experience in Jordan

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Abstract

This study analyzes the financial performance of Islamic banks operating in Jordan over the period from 2014 to 2024. The research focuses on a sample of four Islamic banks, representing the entire population of Islamic banking institutions in the country. Banking performance is assessed using three key dependent variables: return on assets (ROA), return on investment (ROI), and return on equity (ROE). These are examined in relation to several internal and macroeconomic explanatory variables, including liquidity, equity, debt, default risk, inflation, gross domestic product (GDP), and unemployment.

A multiple regression analysis was conducted using SPSS software to evaluate the impact of these explanatory variables on banking performance profitability. The results indicate that liquidity, equity and GDP have a positive influence on financial performance, while debt, default risk, inflation, and unemployment have a negative effect.

This study contributes both theoretically and practically by providing empirical insights into the financial performance of Islamic banks in Jordan. It recommends that these banks regularly monitor and analyze key financial ratios to better understand their influence on banking financial performance profitability and to guide strategic decision making.

Keywords: Default risk, financial analysis, Islamic Banks, local Banks, unemployment.

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1. Introduction:

Banking systems across the world comprise various types of financial institutions, including industrial banks, agricultural banks, real estate financing banks, and others designed to support specific sectors. In Jordan, although several such institutions exist, the banking landscape is predominantly characterized by two major types: traditional commercial banks and Islamic banks. Islamic banks play a vital role in funding individuals, businesses, public institutions, and government related sectors, in accordance with sharia compliant principles.

Despite the growing presence and importance of Islamic banking in Jordan, there remains a notable gap in the literature concerning a comprehensive analysis of their financial performance compared to other banking models. Most existing studies either focus on conventional banks or do not provide an in depth, country specific evaluation of Islamic banking institutions. This research aims to fill this gap by providing a case study-based analysis of the financial performance of Islamic banks operating in Jordan.

The central research questions guiding this study are:

- 1- How do Islamic banks in Jordan perform financially in general?
- 2- What financial indicators best reflect the strengths and weaknesses of Islamic banks in the Jordanian context?

This study contributes theoretically by enriching the literature on Islamic banking performance, particularly in the Middle Eastern and Jordanian context, where cultural regulatory and economic factors differ from other regions. Practically, the findings can aid policymakers, investors, and banking professionals in making informed decisions regarding the development and support of Islamic financial institutions in Jordan.

Local and foreign investments are funded by local and foreign banks as well and can be funded by commercial traditional banks and by Islamic banks. So, in Jordan

there are local Islamic banks for instance Safwa Islamic bank, international Islamic Arab bank, and Jordan Islamic bank are working beside foreign Islamic bank which is Alrajhi Islamic bank - branches in Jordan and around the world (Massadeh, AL Khatib, Khanji, 2021). Jordan faces different financial affairs and issues plus obstacles such as the ratio of debt to general gross domestic product, regional instability, foreign aid, fiscal deficit, changing in government policies and pressures from high debt and instability in the region. In table (1) nationalities and names of working Islamic banks are mentioned with the abbreviation of each one (Al-ali, Yousfi, 2015).

Table (1) Nationalities and names of working Islamic banks in Jordan

Nationality	Name of the Islamic Bank
Jordanian Islamic Bank	Jordan Islamic Bank (JIB)
Jordanian Islamic Bank	International Islamic Arab Bank (IIAB)
Jordanian Islamic Bank	Safwa Islamic Bank (SIB)
Saudi Islamic Bank	Alrajhi Islamic Bank - Jordan (Masref Alrajhi)

Source: Prepared by the author.

2. Literature Review:

This framework offers a structured basis for selecting and analyzing the financial indicators used in this research and supports the development of empirically testable hypotheses. A review of exiting literature reveals a growing body of empirical studies investigating the financial performance of Islamic banks, particularly in the Middle East and North Africa region.

Many studies have explored the relationship between specific financial ratios and overall banking and financial performance. These studies typically assess variables such as return on assets, return on equity, return on investments, banking and financial indicators such as liquidity, equity, and debt measures. Furthermore, limited research integrates all the key variables in a single model to understand their combined effect on performance. This study addresses this gap by analyzing the

performance of Jordanian Islamic banks over a defined period and aims to test hypotheses derived from both theoretical foundations and empirical precedent.

Islamic banks in developed and developing countries and in banking and finance systems records high performance in managing costs and overheads to accomplish high return and financial performance, Islamic banks have no interest financial products which are credit facilities and that give more efficiency for working Islamic banks, beside ethical affairs to support Islamic financial operations (Rosly, Abu Bakar, 2003).

The stability in the financial systems is vital and can be done by Islamic banks. Generally, capital and size of Islamic banks support the profitability and return, but the inflation is decreasing the impact of banking profitability. On the other hand, financial facilities support Islamic banks stability and financial performance (Alharthi, 2017).

The Growth of economy has positive issues for many sectors such as banks in general and Islamic banks in specific issue all of that besides the adequacy of capital, quality of assets, quality of management, earnings, liquidity, and the sensitivity degree of market risks. Islamic banks share in economic growth by the ability and consideration of financing different projects, moreover Islamic banks fund sustainable development projects that stimulate social and economic projects to promote economic development (Iedhem, Mekidiche, 2020).

Commercial banks and Islamic banks are working and competing in the financial and banking markets around the world. In some cases, the profits of Islamic banks are higher than commercial banks and in other cases the opposite of the previous comparison and sometimes the profits of commercial banks are higher than competitive ones. Islamic banks are increasing their sizes by raising their assets and branches, plus suitable management for liquidity, risk management, and capital structure (Majeed, Zainab, 2021)

Islamic banks can be considered as efficient and effective banks in the financial markets and banking systems as working Islamic banks in Southeast Asia, with financial technologies. Islamic banks provide efficient financial facilities to different economic and social sectors to enhance the economic development in different countries. Especially, Islamic banks share businesses and profits with various commercial sectors (Samad, 2021).

Evaluating the main and key factors that influence financial performance, for instance profit margin, the growth rate of profits, added of economic value, return on assets and equity. The determinants in that research have multi effects on the measures of performance such as liquidity and number of sales and their positive impact on the financial performance. So, financial performance must be increased by the financial analyzers and decision makers for enhancing the financial outcomes (Tudose, Rusu, Avasilcai, 2022).

Banks in general set goals to be achieved during the performing the banking and financial affairs, and to be more successful than other commercial and Islamic banks. So, banks are reviewing their operational, financial, and business aims to impact the financial growth, efficiency, and the trust of customers. Qualitative and quantitative methods used by banks can shape the market share and banking profitability, and satisfaction of customers (AL Khatib, Malahim, Khanji, Jaradat, 2023).

Islamic banks are accomplishing high profitability ratios and controlling risks in experienced financial sectors, mergers and acquisitions with other Islamic banks make efficiency in operations, expansion the banking and financial market, diversifications in default risks, the financial strength will be enhanced and generate stronger Islamic banks and institutions. Islamic banks are giving multiple benefits and advantages for their customers and clients, all the previous advantages can bring stability and growth for Islamic banks (Frestiva, Sholahuddin, 2024).

Analyzing the most important aspects of Islamic banks earnings, shares, and dividends besides factors affecting these values for financial performance and success is taken under considerations for distributing and generating profits. Islamic banks examine how distribute and manage shareholders' profits as dividends, and the nature of Islamic banks' operational strategies and investments are impacting Islamic banks earnings (AL Khatib, Obeidat, Malahim, Ismaeel, Khanji, Alrahamneh, Jaradat, 2024).

Review from analytical viewpoint of financial performance for Islamic banks, the main and the most important indicators for shaping banks' financial performances are liquidity, profitability, assets' quality, and adequacy of capital. Unfortunately, these indicators face some challenges and obstacles in the banking operations but give opportunities to grow the financial performance and Islamic banks in the financial markets (AL Habali, Durrani, 2024). Banking and financial systems have been evaluated and marked by important transformations, technological advancements and economic changes. Banks enhance financial transactions and money transfers (Challoumis, Eriotis, 2025).

3. Research Methodology:

The methodology of this research is to find the impact by doing a multiple regression analysis was conducted using SPSS software for explanatory variables values on the measured variables values for Islamic banks in the Jordanian economic and financial affairs with the banking area, and figure (1) presents the two groups of variables. The first group contains the explanatory variables, and it has liquidity, equity, debt, default risk, inflation, gross domestic product, and unemployment rate. The second group contains the measured values, and they are return on assets, return on investment, and return on equity as can be presented in the following figure. After that, in table (2) the mathematical and financial equations are presented for the three measured ratios, and the seven explanatory ratios as presented.

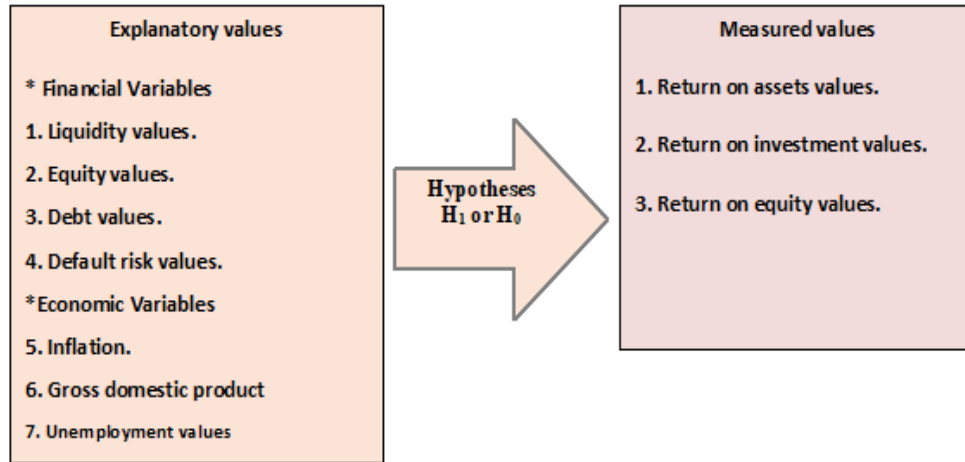


Figure (1) Explanatory and Measured Variables Model

Table (2) Explanatory and Measured Variables as Mathematical Equations

Mathematical Equations	
Measured Values	
1. Return on Assets (ROA.) for Islamic banks.	$= \{(\text{Net income of Islamic banks}) \div (\text{Islamic banks total assets})\} * 100\%$
2. Return on Investment (ROI.) for Islamic banks.	$= \{(\text{Net income of Islamic banks}) \div (\text{Islamic banks total investments})\} * 100\%$
3. Return on Equity (ROE.) for Islamic banks.	$= \{(\text{Net income of Islamic banks}) \div (\text{Islamic banks total equity})\} * 100\%$
Explanatory Values	
1. Liquidity	$= (\text{Quick current assets}) \div (\text{currents liabilities}) * 100$ (or) $\{[(\text{cash equivalents (CE)} + \text{marketable securities (MS)} + \text{net accounts receivable (NAR)}) \div (\text{current liabilities})] * 100\%$ (or) $(\text{Total currents assets (TCA)} - \text{inventory} - \text{prepaid expenses (PE)}) \div (\text{current liabilities}) * 100\%$
2. Equity (Shareholders' equity ratio)	$100\% - \text{Debt ratio}$ (or) $\{(\text{Total shareholder equity}) \div (\text{Total assets})\} * 100\%$ Shareholders' equity (SE) = Assets (A) - Liabilities (L)
3. Debt	$100\% - \text{Equity ratio}$ (or) $\{(\text{Total debt}) \div (\text{Total assets})\} * 100\%$
4. Default Risk	Expected loss = default probability * loss severity (or) Expected loss = exposure at default * probability of default * loss given default
5. Inflation	$\{(\text{Ending cost in the consumer price index (CPI) for a specific good or service in a specific year or month} - \text{starting cost in the consumer price index (CPI) for a specific good or service in a specific year or month}) \div \text{starting cost in the consumer price index (CPI) for a specific good or service in a specific year or month}\} * 100\%$
6. Gross Domestic Product	$\text{GDP} = \text{private consumption} + \text{gross private investment} + \text{government investment} + \text{government spending} + (\text{exports} - \text{imports})$
7. Unemployment	$\text{unemployment rate} = \{(\text{number of unemployed people}) \div (\text{total number in the labor force})\} * 100\%$

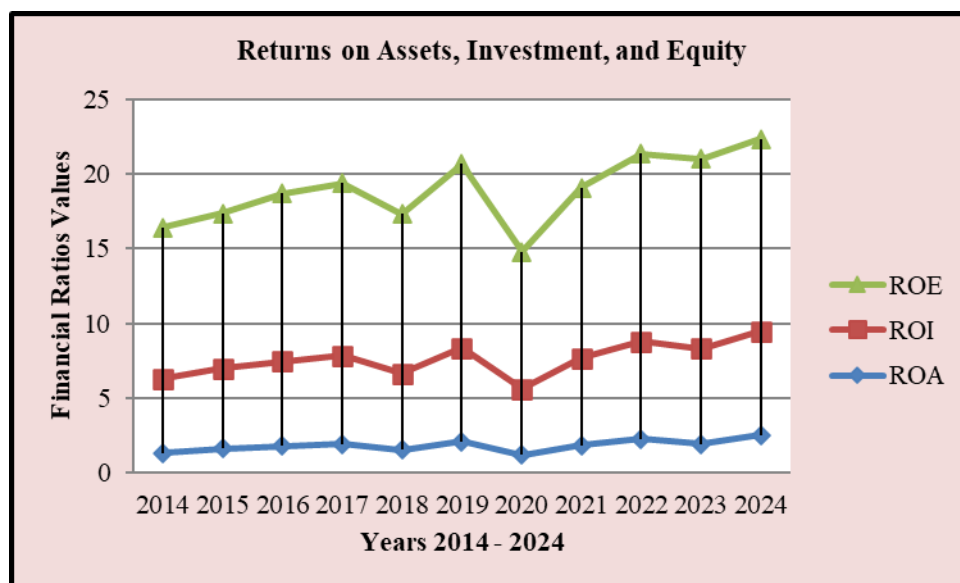


Figure (2) Returns on Assets, Return on Investments, and Return on Equity for Islamic Banks in Jordan

Figure (2) represents the returns on Islamic banks' assets, investments, and equity. Return on assets measures the profitability of banks related to their total assets, better assets utilization indicates higher return on assets. Return on investment is an indicator of the profitability related to banking investments and a higher return on investment shows those Islamic banks are generating profits from their investments. Also, return on equity indicates that the Islamic banks are generating profits from their equity and Islamic banks and financial sectors are efficiently using shareholders' equity to increase profits (Kijewska, 2016) besides financial performance in banks is determined by shareholders equity ratio and liquidity as well such as other Islamic banks and commercial banks in Jordan (Jawarneh, 2022).

The ratio of default risk represents that borrowers could fail to pay their obligations of loans, it shows the risk of the Islamic banks' financial facilities and exposure to their credit risks. So, not high default risk ratios suggest and explain fewer loans problems (Kusnandar, 2022). Decreasing the default risks indicates improvement in

the quality of banking facilities portfolio and the economic conditions for the borrowers were improved. That means stable return for the Islamic banks and diversification financial facilities management (Misman, Bhatti, Lou, Samsudin, Abd Rahman, 2015). Finally, we can understand that to measure the credit risk, the default risk should be analyzed and essential measure of credit risk, and the portfolio of lending money is managed effectively.

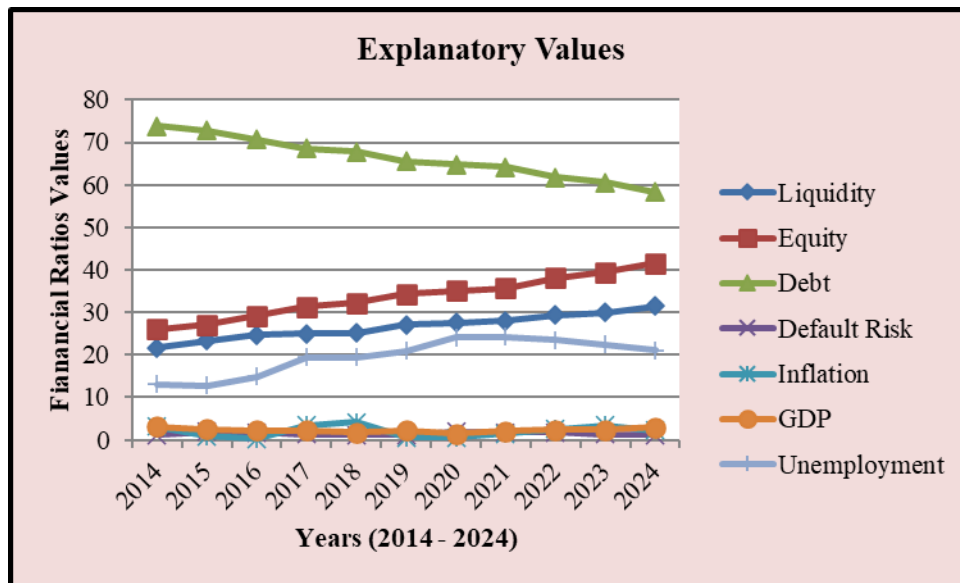


Figure (3) Explanatory Values for Islamic Banks' liquidity, equity, debt, default risk, inflation, GDP, and Unemployment

Figure (3) presents all explanatory values for Islamic banks in Jordan which is liquidity, equity, debt, default risk, inflation, GDP, and Unemployment rates. Banking liquidity ratio measures the ability to pay banks' short-term obligations by using their liquid assets such as short-term investments and cash. Liquidity ratio when it is high indicates that the bank or the financial institution has an ability to control short term financial issues and meet immediate and short-term liabilities. Liquidity can be raised by tolerance of management risks, economic and social environment, and regulatory requirements (Antony, 2023) by preparing enough money cash and liquid assets to

cover each of banking withdrawals and meeting obligations without relying on borrowing or selling non liquid assets (Linh, Dung, Hang, Mai, 2018). High ratios of liquidity indicate that Islamic banks' risk averse and prefer high levels of liquid reserves, and idle money could have been used more in profitable ways (Muchtar, Rustimulya, 2019).

In addition to all of that, the ratio of debt indicates the part of the banks' assets that is financed by banking debts. Greater leverage and debt ratio means high risk and that kind of obligation must be met regardless of banking financial performance. To solve some debt problems, banks are advised to focus on equity and increase it according to economic situations (Bsoul, Milhem, Odat, 2022). Therefore, capital structure and adequacy are vital for Islamic banks, and this ratio evaluates the ability of the banks to pay and meet their long-term liabilities without relying on external financing but internal ones (Al Salamat, Al-Kharouf, 2021).

Moreover, equity ratio represents the shareholders' equity, and the assets values are financed by banks' shareholders' equity (Alzubi, Bani-Hani, 2021). Financial stability and low risk of insolvency can be with high equity ratio. Improving Islamic banks solvency can improve banking equity and reducing the relying on debt. To analyze capital adequacy by equity ratio is very important and reduces the default risk and makes advantages of economic upturn especially with good and firm position of liquidity (Mardan, Moeljadi, Sumiati, Indrawati, 2023).

The structure of banking capital contains combination of debt and equity to manage solvency and default risk and good equity to assets ratio can make the banks less likely to fail and to meet their obligations. Banking capital structure generates profits, avoids cost of funds, helps make decisions for dealing with regulations and requirements, and solves agency conflicts between banks' managers and stakeholders and between depositors and shareholders (Harun, Kamil, Haron, Ramly, 2020).

Figure (4) represents the averages of measured and explanatory research variables, and according to the results of each one of them, we notice the highest average for debt ratio, after that is equity ratio, liquidity ratio, unemployment rate, return on equity, return on investments, gross domestic product, inflation rate, return on assets, and finally as can be noticed banking default risk.

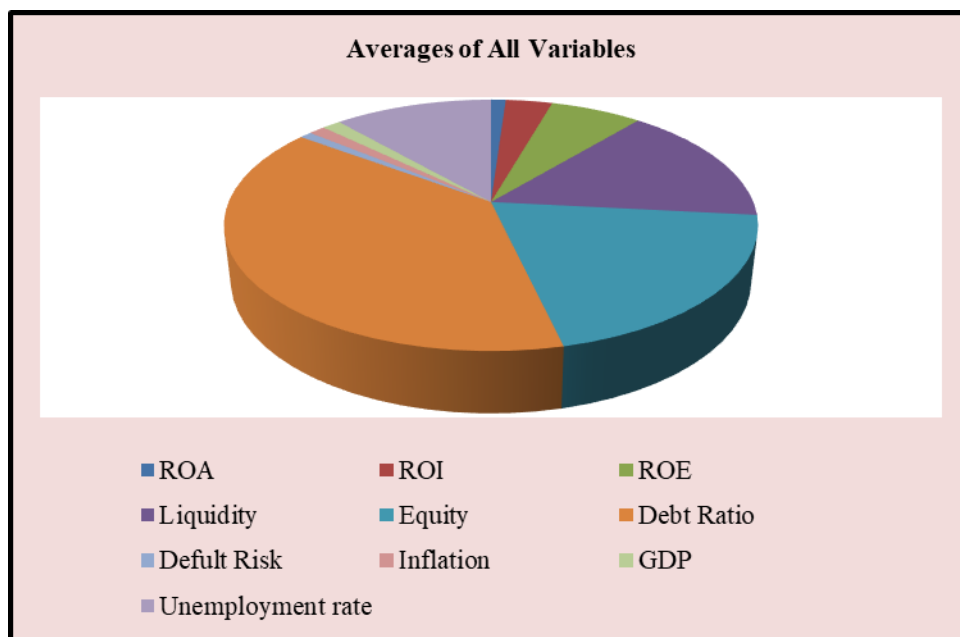


Figure (4) Averages of Explanatory and Measured Variables

4. Research Variables Measurement, Samples, and Research Hypotheses:

This part explains and represents the sample of the study, the hypotheses. Therefore, conducting analysis for the research involves structured ways of analysis and systemic approach to investigating the hypotheses. In this section and in the following ones we will analyze the essential elements of the variables of the research, the process of selecting the population and sample of this research, formulating the hypotheses, and finally measuring and comparing the variables.

4.1 Population and Sample:

The sample and the population of this research are the same, and they are the working Islamic banks in Jordan. Three of them are Jordanian Islamic banks which are Jordan Islamic Bank, Safwa Bank, and International Islamic Arab Bank. In addition, the fourth bank is a Saudi Islamic bank, and its name is Alrajhi bank - masref alrajhi.

4.2 Research Hypotheses:

The hypotheses are extracted from the literature reviews and some previous studies and the financial statements and financial balances. Banks performances in general are affected by internal, external, microeconomics, or macroeconomics changes and values and all those values have an impact on the financial statements at the end or during the fiscal year (Antoun, Coskun, Georgievski, 2018).

The null hypotheses for the three measured variables to represent the financial performance of Islamic banks and the explanatory variables in representing the independent variables are represented in tables (3), (4) and (5) as the following tables.

Table (3) the Null Hypotheses for Return on Assets Values

H _{0.1.1}	There is an insignificant impact of liquidity values on return on assets values.
H _{0.2.1}	There is an insignificant impact of equity values on return on assets values.
H _{0.3.1}	There is an insignificant impact of debt values on return on assets values.
H _{0.4.1}	There is an insignificant impact of default risk values on return on assets values.
H _{0.5.1}	There is an insignificant impact of inflation values on return on assets values.
H _{0.6.1}	There is an insignificant impact of gross domestic product values on return on assets values.
H _{0.7.1}	There is an insignificant impact of unemployment values on return on assets values.

Table (4) the Null Hypotheses for Return on Investment Values

H _{0.1.2}	There is an insignificant impact of liquidity values on return on investment values.
H _{0.2.2}	There is an insignificant impact of equity values on return on investment values.
H _{0.3.2}	There is an insignificant impact of debt values on return on investment values.
H _{0.4.2}	There is an insignificant impact of default risk values on return on investment values.
H _{0.5.2}	There is an insignificant impact of inflation values on return on investment values.
H _{0.6.2}	There is an insignificant impact of gross domestic product values on return on investment values.
H _{0.7.2}	There is an insignificant impact of unemployment values on return on investment values.

Table (5) the Null Hypotheses for Return on Equity Values

H _{0.1.3}	There is an insignificant impact of liquidity values on return on equity values.
H _{0.2.3}	There is an insignificant impact of equity values on return on equity values.
H _{0.3.3}	There is an insignificant impact of debt values on return on equity values.
H _{0.4.3}	There is an insignificant impact of default risk values on return on equity values.
H _{0.5.3}	There is an insignificant impact of inflation values on return on equity values.
H _{0.6.3}	There is an insignificant impact of gross domestic product values on return on equity values.
H _{0.7.3}	There is an insignificant impact of unemployment values on return on equity values.

5. Statistical Equations, Description of Variables, and Testing the Hypotheses

In the statistical analyses and mathematical equations, the modeling relationships will be formalized for the variables, enable us to interpret the patterns of the data. Understanding the relationships and roles of the variables in this research is very important and crucial for accurate interpretations and testing the hypotheses.

According to the following equations (1), (2), and (3) appropriate variables were selected and the variables were essential to make the equations and statistical model. Return on each of equity, investments, and assets are used as measured and dependent factors. On the other side of the three equations is the explanatory ratios and they are default risk, debt ratio, equity ratio, liquidity ratio, unemployment rate,

gross domestic product, and inflation. So, in table (6) the symbols of all variables are presented in the column besides the research variables and the symbols were used in the equations.

Table (6) Research variables symbols

Research variables	Symbol
1. Return on assets	R.O.A
2. Return on investments	R.O.I
3. Return on equity	R.O.E
4. Liquidity	Liq.
5. Equity	Equ.
6. Debt	Deb.
7. Default risk	Def.R.
8. Inflation	Inf.
9. Gross domestic product	G.D.P.
10. Unemployment	Unemp.

$$(1) F(R.O.A) = \alpha_0 + \beta_1 (Liq.) + \beta_2 (Equ.) + \beta_3 (Deb.) + \beta_4 (Def.R.) + \beta_5 (Inf.) + \beta_6 (G.D.P.) + \beta_7 (Unemp.) + \varepsilon$$

$$(2) F(R.O.I) = \alpha_0 + \beta_1 (Liq.) + \beta_2 (Equ.) + \beta_3 (Deb.) + \beta_4 (Def.R.) + \beta_5 (Inf.) + \beta_6 (G.D.P.) + \beta_7 (Unemp.) + \varepsilon$$

$$(3) F(R.O.E) = \alpha_0 + \beta_1 (Liq.) + \beta_2 (Equ.) + \beta_3 (Deb.) + \beta_4 (Def.R.) + \beta_5 (Inf.) + \beta_6 (G.D.P.) + \beta_7 (Unemp.) + \varepsilon$$

6. Empirical Analysis:

This section is going to explore the hypotheses and the significance of the hypotheses methods and formulations and test them. By examining the relationships between the variables by empirical analyses and evidence, we are going to gain a very deep understanding of how the hypotheses will be tested.

In the following three tables (7), (8), and (9) the correlations between these research variables are presented and tested to the significance levels at (0.01) or (0.05). Notice that some values are positive, some of them are negative, and some of them are significant at (0.01) level, some of them are significant at (0.05) level, or some of them are not significant.

The results show a mix of positive and negative correlations, indicating varying directions of association between variables. Several correlations are statistically significant, suggesting strong relationships, while others are significant at higher level indicating moderate associations. Some correlations, however, are not statistically significant, reflecting weak or no meaningful relationship. These findings provide initial insights into the potential interactions among the study variables, which are further explored in subsequent analyses.

Table (7) Matrix of Correlations (1) return on assets and explanatory values

	R.O.A	Liq.	Equ.	Deb.	Def.R.	Inf.	G.D.P	Unemp.
R.O.A	1							
Liq.	+0.643*	1						
Equ.	+0.025**	0.756*	1					
Deb.	-0.0356*	-0.362	-	1				
Def.R.	-0.467*	-0.254	-0.320	0.435**	1			
Inf.	-0.342*	0.327**	0.062	-0.313	-0.133	1		
G.D.P	+0.385**	0.256	0.212	-0.221	-0.115	0.122	1	
Unemp.	-0.459**	0.782	0.075	-0.138	0.261**	0.395	-	1
							0.071	

* Significance level at 0.01

** Significance level at 0.05

Table (8) Matrix of Correlations (2) return on investments and explanatory values:

	R.O.I	Liq.	Equ.	Deb.	Def.R.	Inf.	G.D.P	Unemp.
R.O.I	1							
Liq.	+0.711*	1						
Equ.	+0.523**	0.756*	1					
Deb.	-0.601*	-0.362	-	1				
			0.435**					
Def.R.	-0.647*	-0.254	-0.320	0.183**	1			
Inf.	-0.046*	0.327**	0.062	-0.313	-0.133	1		
G.D.P	+0.653**	0.256	0.212	-0.221	-0.115	0.122	1	
Unemp.	-0.535**	0.782	0.075	-0.138	0.261**	0.395	-	1
							0.071	

* Significance level at 0.01

** Significance level at 0.05

Table (9) Matrix of Correlations (3) return on equity and explanatory values:

	R.O.E	Liq.	Equ.	Deb.	Def.R.	Inf.	G.D.P	Unemp.
R.O.E	1							
Liq.	+0.685*	1						
Equ.	+0.736**	0.756*	1					
Deb.	-0.537*	-0.362	-	1				
			0.435**					
Def.R.	-0.361*	-0.254	-0.320	0.183**	1			
Inf.	-0.623*	0.327**	0.062	-0.313	-0.133	1		
G.D.P	+0.423**	0.256	0.212	-0.221	-0.115	0.122	1	
Unemp.	-0.765**	0.782	0.075	-0.138	0.261**	0.395	-	1
							0.071	

* Significance level at 0.01

** Significance level at 0.05

The calculated means and standard deviations for explanatory variables and measured variables are seen in table (10), the highest means for unemployment rate, and the lowest one for return on assets, and the other values are between both of them. Also, the highest standard deviation for unemployment rate, and the lowest value for default risk. In addition, table (11) represents the variance analysis for the ratios of measured and explanatory and all calculated (F) values are significant at (0.01) significance levels.

Table (10) Descriptive statistics values for measured and explanatory variables:

	Mean	Standard deviation
1. Return on assets	0.012	0.018
2. Return on investments	0.091	0.076
3. Return on equity	0.114	0.035
4. Liquidity	2.514	0.201
5. Equity	0.562	0.169
6. Debt	0.869	0.257
7. Default risk	0.136	0.015
8. Inflation	4.109	0.374
9. Gross domestic product	3.294	0.368
10. Unemployment	6.872	0.533

Table (11) Analysis of variance (ANOVA.) for measured and explanatory ratios

Return on Assets		Return on Investments		Return on Equity	
Calculated F		Calculated F		Calculated F	
Significance	0.005	Significance	0.003	Significance	0.001

In the following tables which are tables (12), (13), and (14) represent the calculated values of beta, (t) statistic values, significance levels, and variance inflation factor (VIF) for the coefficients of measured variables R.O.A., R.O.I., R.O.E. and after each table is the related formula.

Table (12) Coefficients of measured variable return on assets

	Beta (β)	Calculated (t) Statistic	Significance	Variance inflation factor
Consonant	+0.040	+1.215	0.003	1.145
Liquidity	+0.021	+2.405	0.009	2.343
Equity	+0.105	+1.592	0.048	4.547
Debt	-0.081	-1.471	0.008	2.182
Default risk	-0.062	-1.133	0.002	3.436
Inflation	-0.032	-2.362	0.007	1.539
Gross domestic product	+0.075	+1.485	0.035	2.331
Unemployment	-0.053	-1.662	0.044	1.729

$$(1) \mathbf{F} (R.O.A) = 0.040 + 0.021 (Liq.) + 0.105 (Equ.) - 0.081 (Deb.) - 0.062 (Def.R.) - 0.032 (Inf.) + 0.075 (G.D.P.) - 0.053 (Unemp.)$$

Table (13) Coefficients of measured variable return on investments

	Beta (β)	Calculated (t) Statistic	Significance	Variance inflation factor
Consonant	+0.024	+1.470	0.001	1.312
Liquidity	+0.036	+2.124	0.003	1.681
Equity	+0.251	+3.151	0.029	3.217
Debt	-0.214	-1.893	0.005	1.354
Default risk	-0.357	-5.146	0.008	2.102
Inflation	-0.045	-0.232	0.002	2.359
Gross domestic product	+0.086	+1.041	0.037	1.942
Unemployment	-0.056	-2.013	0.030	2.781

$$\mathbf{F} (R.O.I) = 0.024 + 0.036 (Liq.) + 0.251 (Equ.) - 0.214 (Deb.) - 0.357 (Def.R.) - 0.045 (Inf.) + 0.086 (G.D.P.) - 0.056 (Unemp.)$$

Table (14) Coefficients of measured variable return on equity

	Beta (β)	Calculated (t) Statistic	Significance	Variance inflation factor
Consonant	+0.012	+0.316	0.004	2.100
Liquidity	+0.019	+1.034	0.002	2.851
Equity	+0.293	+1.152	0.031	1.246
Debt	-0.263	-2.511	0.006	3.591
Default risk	-0.034	-0.253	0.003	2.194
Inflation	-0.021	-3.010	0.001	1.362
Gross domestic product	+0.118	+0.732	0.027	1.417
Unemployment	-0.127	-3.390	0.041	2.925

$$F(R.O.E) = 0.012 + 0.019 (Liq.) + 0.293 (Equ.) - 0.263 (Deb.) - 0.034 (Def.R.) - 0.021 (Inf.) + 0.118 (G.D.P.) - 0.127 (Unemp.)$$

7. Research Finding:

In this section, the researcher presents the results and findings of the statistical analysis by evaluating and conducting the test for the data. To explore the effect of the financial and economic values on the financial position and performance of the Islamic banks and we reached to accept the alternative hypotheses which are presented in tables (15), (16), and (17).

Table (15) the Alternative Hypotheses for Return on Assets Values:

H _{1.1.1}	There is a significant impact of liquidity values on return on assets values.
H _{1.2.1}	There is a significant impact of equity values on return on assets values.
H _{1.3.1}	There is a significant impact of debt values on return on assets values.
H _{1.4.1}	There is a significant impact of default risk values on return on assets values.
H _{1.5.1}	There is a significant impact of inflation values on return on assets values.
H _{1.6.1}	There is a significant impact of gross domestic product values on return on assets values.
H _{1.7.1}	There is a significant impact of unemployment values on return on assets values.

Table (16) the Alternative Hypotheses for Return on Investment Values

H _{1.1.2}	There is a significant impact of liquidity values on return on investment values.
H _{1.2.2}	There is a significant impact of equity values on return on investment values.
H _{1.3.2}	There is a significant impact of debt values on return on investment values.
H _{1.4.2}	There is a significant impact of default risk values on return on investment values.
H _{1.5.2}	There is a significant impact of inflation values on return on investment values.
H _{1.6.2}	There is a significant impact of gross domestic product values on return on investment values.
H _{1.7.2}	There is a significant impact of unemployment values on return on investment values.

Table (17) the Alternative Hypotheses for Return on Equity Values

H _{1.1.3}	There is a significant impact of liquidity values on return on equity values.
H _{1.2.3}	There is a significant impact of equity values on return on equity values.
H _{1.3.3}	There is a significant impact of debt values on return on equity values.
H _{1.4.3}	There is a significant impact of default risk values on return on equity values.
H _{1.5.3}	There is a significant impact of inflation values on return on equity values.
H _{1.6.3}	There is a significant impact of gross domestic product values on return on equity values.
H _{1.7.3}	There is a significant impact of unemployment values on return on equity values.

In the three following tables (18), (19), and (20) we present the summary of the findings and research results and the significance (1% or 5%) for each explanatory variable on the measured variable in this research in addition to the positive or

negative impact for each explanatory variable on each measured variable. We noticed that all explanatory variables are significant between (0.01) and (0.05) significance levels.

Table (18) Measured Variables Return on Assets Research Findings

Explanatory Variables	Outcomes on Return on Assets
1. Liquidity Values	(Sig.)Significant(1%), (+) Positive
2. Equity Values	(Sig.)Significant(5%), (+) Positive
3. Debt Values	(Sig.)Significant(1%), (-) Negative
4. Default Risk Values	(Sig.)Significant(1%), (-) Negative
5. Inflation ratio	(Sig.)Significant(1%), (-) Negative
6. Gross Domestic Product	(Sig.)Significant(5%), (+) Positive
7. Unemployment Ratio	(Sig.)Significant(5%), (-) Negative

Table (19) Measured Variables Return on Investment Research Findings

Explanatory Variables	Outcomes on Return on Investment
1. Liquidity Values	(Sig.)Significant(1%), (+) Positive
2. Equity Values	(Sig.)Significant(5%), (+) Positive
3. Debt Values	(Sig.)Significant(1%), (-) Negative
4. Default Risk Values	(Sig.)Significant(1%), (-) Negative
5. Inflation ratio	(Sig.)Significant(1%), (-) Negative
6. Gross Domestic Product	(Sig.)Significant(5%), (+) Positive
7. Unemployment Ratio	(Sig.)Significant(5%), (-) Negative

Table (20) Measured Variables Return on Equity Research Findings

Explanatory Variables	Outcomes on Return on Equity
1. Liquidity Values	(Sig.)Significant(1%), (+) Positive
2. Equity Values	(Sig.)Significant(5%), (+) Positive
3. Debt Values	(Sig.)Significant(1%), (-) Negative
4. Default Risk Values	(Sig.)Significant(1%), (-) Negative
5. Inflation ratio	(Sig.)Significant(1%), (-) Negative
6. Gross Domestic Product	(Sig.)Significant(5%), (+) Positive
7. Unemployment Ratio	(Sig.)Significant(5%), (-) Negative

8. Conclusions: Results and Recommendations:

8.1 Conclusion:

This study concludes that the financial performance of Islamic banks in Jordan is significantly shaped by both internal financial indicators and broader economic conditions. Return on equity, return on investments, and assets-based return which indicate return on assets improve in environments characterized by higher liquidity, greater equity levels, and increased GDP. In contrast, higher debt, default risk, inflation, and unemployment negatively affect these performance metrics. These relationships underline the importance of prudent financial management and macroeconomic awareness for Islamic banks operating in developing economies like Jordan.

8.2 Results and Discussions:

The findings of this study indicate that key financial performance indicators- namely return on equity, return on investments, and return on assets- are significantly influenced by several explanatory variables within the financial, economic, and banking environment. Specifically, liquidity, equity, and gross domestic product (GDP) show a statistically significant positive impact on these performance indicators at the 1% and 5% levels. Conversely, debt levels, default risk, inflation, and unemployment exert a negative impact on performance metrics.

These results are generally consistent with the findings of Matar and Eneizan (2018), who reported that return on assets, is positively influenced by revenues, profitability, and liquidity, and while negatively affected by financial leverage and firm bank size in the context of Jordanian banks. The current study reinforces the positive role of liquidity and profitability, aligning with their conclusions. However, unlike Matar and Eneizan (2018) who found firm size to have a negative effect, this study did not identify bank size as a significant determinant, suggesting that size may not be a uniform predictor across all financial institutions, particularly within the Islamic banking sector.

Additionally, the observed negative impact of macroeconomic variables such as inflation and unemployment aligns with broader literature on emerging markets, where economic instability typically erodes banking sector performance. However, the significance of default risk in this study further emphasizes the sensitivity of Islamic banks in Jordan to credit quality and borrower reliability, which may not have been as prominently highlighted in prior studies.

8.3 Recommendations:

Based on the findings, Islamic banks in Jordan are advised to:

- 1- Capitalize on positive financial indicators such as liquidity and equity levels by optimizing capital structures and enhancing internal financial policies.
- 2- Leverage periods of economic growth by aligning strategic plans with trends in GDP expansion.
- 3- Mitigate exposure to financial risks by closely monitoring debt ratios and default risks, ensuring robust credit assessment procedures.
- 4- Adapt operational strategies in response to inflation and unemployment trends to reduce vulnerability to macroeconomic instability.

Furthermore, Islamic banks should integrate both financial and macroeconomic analysis into their decision-making frameworks to sustain profitability and minimize risk in an increasingly volatile economic environment.

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تحليل الأداء المالي للبنوك الإسلامية: دراسة حالة تجربة البنوك الإسلامية

في الأردن

د. عبد الله يسري الخطيب*

ملخص

الأردن لديه العديد من البنوك التي تعمل في النظام المالي والمصرفي، البعض منها يصنف على أنه بنوك تجارية تقليدية والبعض الآخر يصنف على أنه بنوك إسلامية. تقوم هذه الدراسة على تحليل البنوك الأردنية المحلية الإسلامية والبنوك الأجنبية الإسلامية العاملة في الأردن، حيث كانت المتغيرات التي تم قياسها عبارة عن العائد على كل من الأصول، والاستثمارات، وحقوق الملكية كممثل لأداء الأرباح المصرفية والسلوك المالي.

المتغيرات التفسيرية هي نسب كل من السيولة، وحقوق الملكية، والمديونية، والمخاطر الائتمانية، والتضخم، والناتج المحلي الإجمالي، ومعدل البطالة. وبعد إجراء التحليل الإحصائي والمالي توصلت الدراسة إلى وجود أثر ذو دلالة إحصائية لكل المتغيرات التفسيرية على المتغيرات المقاسة حيث كانت النتائج ذات الأثر الإيجابي من نسبة السيولة (0.01)، ونسبة حقوق الملكية (0.05)، والناتج المحلي الإجمالي (0.05)، ولكن نتائج الأثر السلبي لنسبة المديونية (0.01)، والمخاطر الائتمانية (0.01)، ونسبة التضخم (0.01) ومعدل البطالة (0.05).

أخيراً، أوصت الدراسة النظام المصرفي في الأردن للتركيز والتحليل على النسب المالية بشكل فتروي لإدراك أثرها ودورها في النواحي المالية والمصرفية، ولصناعة القرارات للخطط المستقبلية.

الكلمات المفتاحية: المخاطر الائتمانية، التحليل المالي، البنوك الإسلامية، البنوك المحلية، البطالة.

تصنيفات (JEL): G0، G2، البطالة.

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