Financial and Economical Analysis of Banking Activities: Case Study of Jordan

Ghazi Abdulmajeed ALRGAIBAT

Faculty Financial and Business Administration, Al al-Bayt University, Jordan, E-mail: ghazi.a.alrgaibat@gmail.com

Abstract   *The performance evaluation process is considered essential aim and process in order to define their skills in managing their assets in optimum manner and to show their ability in improving and developing quality of their business, As well as to develop future strategic plans to upgrade the banking business to desired level that suits the economic and technological development. Evaluating performance through the financial indicators gives an obvious image as to the real financial position of banks, that shows banks' ability to fulfill their obligations, and defines their profitability and financial liquidity. Further, the main results for this study show that the Jordan Islamic Bank ranks first as to the liquidity ratio, also ranks first as to indebtedness ratio As for the profitability, the study shows that the highest profitability ratio is found in the Arab Bank, followed by the Jordan Islamic Bank, while the lowest profitability ratio is found in Bank Al Etihad. variable of return on total assets, the Capital Bank of Jordan ranks first, and Arab Jordan Investment Bank ranks second, while Jordan Islamic Bank ranks last, return on equity, the Jordan Islamic Bank ranks first, and Capital Bank of Jordan ranks second, while Bank Al Etihad ranks last.*

Key words   Financial economical, analysis, Jordanian banks

1. Introduction

It is known that banks represent an important sector in economy. Banks play a key role in reinforcement and development of economy, and they represent safer mediator between depositors and investors in terms of depositing monies by financial surplus units, and reinvesting them in financial deficit units. Thus, it has become important to evaluate performance of banks, since the performance evaluation process is considered essential process in order to define their skills in managing their assets in optimum manner and to show their ability in improving and developing quality of their business and the services they render, as well as to develop future strategic plans to upgrade the banking business to the desired level that suits the economic and technological development. Evaluating performance through the financial indicators gives an obvious image as to the real financial position of banks, shows banks' ability to fulfill their obligations, and defines their profitability and financial liquidity. Further, the various economic, industrial and social processes have effectively contributed to diversity of banking processes and services, but under the banking specialization like the commercial, industrial, land and social banks that are controlled and monitored by the Central Bank in view of the fact that these banks are important in maintaining the cash security. Accordingly, attention must be paid to the subject of financial and accounting analysis that studies the financial statements in detail, which in turn provides the standards and indicators necessary for the general management and other beneficiaries that help them plan, regulate and monitor various activities. Recently, the significance of financial and accounting analysis has increased, and aspects of use of its tools and methods have developed, since this analysis evaluates the past and the present, predicts the future, prevents exposure to bankruptcy and loss, and represents the most important regulatory and planning means used to evaluate banking organizations. The financial and accounting analysis is the process of interpretation and understanding of the financial statements in the light of complete perception of how they are prepared, and it evaluates performance of banking organizations. Thus, the financial statements should be considered the outcomes of the banking accounting system and key inputs of the financial analysis process. In other words, the financial statements represent product of

accounting cycle, and the first step of the financial analysis process to get the financial indicators that represent the starting point in evaluating performance of the financial and banking organizations. Accordingly, the process of financial and accounting analysis of performance is a task that must be accomplished for the purpose of improving and developing performance of the financial and banking organizations which ensures their ability to compete the private banks and their readiness to contain all technical and technological capabilities and developments.

1.1 Problem of the study

As other economic organizations, the commercial banks depend in their business on decreasing inputs amount, namely the costs and increasing outputs, namely the profits. The difference between amount of inputs and amount of outputs represents the net profit of these organizations which is considered one of the financial indicators on performance of the commercial banks, liquidity provided by such banks, size of activity, indebtedness and position of banks in the market. All these indicators are important in the process of evaluation of banks' performance, where management of these ratios requires experiences management in conveniently among them since they are affect each other. The problem of the research can be summarized in a set of questions, as follows:
1. What is the size of liquidity in the Jordanian commercial banks?
2. What is the size of indebtedness in the Jordanian commercial banks?
3. What is level of activity of the Jordanian commercial banks?
4. What is the size of profitability in the Jordanian commercial banks?
5. What is the market value of the Jordanian commercial banks?
6. What is return on assets (ROA) in the Jordanian commercial banks?
7. What is return on equity (ROE) in the Jordanian commercial banks?

1.2. Significance of the study

Since the banking sector is a fundamental pillar of the community and economy as a whole, due to the distinct economic and social tasks it exercises that contribute to moving economy forward through providing the cash necessary for investment, facilitating internal and external financial transactions, and providing all banking services and facilities to all segments of the community. Thus, it has become necessary to study performance level of organizations of this sector and to try to improve their performance. Further, the evaluation of the financial and accounting performance of any organization working in the banking sector is very important since this help management rationalize its plans, policies and decisions, and recognize its strengths to reinforce, and its weaknesses to obviate or reduce. This contributes to improving performance level of the banks and reinforcing their competitiveness.

1.3. Objectives of the study

The study aims to define a set of points, including:
1. To identify the size of liquidity in the Jordanian commercial banks.
2. To know the size of indebtedness in the Jordanian commercial banks.
3. To identify level of activity of the Jordanian commercial banks?
4. To identify the size of profitability in the Jordanian commercial banks.
5. To identify the market value of the Jordanian commercial banks.
6. To identify return on assets (ROA) in the Jordanian commercial banks.
7. To identify return on equity (ROE) in the Jordanian commercial banks.

2. Literature review

This study of Tarawneh and Maaytah (1997) aims to explore opinions of the decision makers in Karak governorate on their ability to deal with the financial statements of their business and impact of such ability on the available financial statements. The study concludes that 83% of the sampling units have the ability to deal with the financial statements to rationalize their abilities. The results of the study show that the financial analysis helps the decision-maker discover the results on which he builds his financial decisions.

This study of Al-Sayyah (1999) aims to conduct an analytical study on efficiency of the cash flows in the commercial banks during the period (1986-1995). The sample of research consists of three banks, namely, Bank of Jordan, Housing Bank and Arab Bank. The researcher indicates that the banks that have higher equity ratios are the same banks that have higher tendency toward the long-term employments. This study of Ghanem (2000) aims to evaluate performance of the Jordanian commercial banks during the period (1978-1998) and define the most important factors that affected their performance. The researcher uses the financial analysis tools to identify performance of banks in question. The study concludes that there is an obvious decline in performance of the Jordanian commercial banks during (1982-1992) and that there is a slight improvement in this performance during (1993-1998) compared to the performance level during (1978-1982)(Al-Sharrah, 2003).

This study aims to evaluate the economic and financial performance of the Kuwaiti banking system according to concept of total quality. The study concludes that the Kuwaiti banking system has developed during the nineties. The total deposits in the system have increased by a growth ratio of roughly 2.8% per annum, and that the credit facilities have highly increased where their ratio to the total deposits has been 67.5%.

This study of Al-Jafra (2012) aims to identify extent of use of the financial and accounting analysis in taking the financing decision in the Islamic banks in Jordan, and to identify the most important problems and obstacles related to use of the financial and accounting analysis. The study concludes that the financial and accounting analysis used by these banks affects taking the financing decisions.

This study of Abd Al-Naser (2013) aims to identify and explain role of the financial and accounting analysis in taking the financial and administrative decisions in the petroleum organizations in Algeria. The study concludes that the financial and accounting analysis is an effective tool to take and rationalize the decisions, since it help the financial manager diagnose the current financial position of an organization and discover its policies and the circumstances surrounding it. The financial and accounting analysis help identify the weaknesses to avoid and the strengths to reinforce and promote " prediction bank failure using selected applied models: a case study of Jordanian banks" (Gharaibeh, 2007). This study aims to clarify how the financial ratios derived from the financial statements can be used to give early warning on bankruptcy of banks. It also aims to create the predictive power of two sets of models namely C.A-score, in addition to the trait recognition in order to provide early warning on the financial problems that may lead to bankruptcy of banks. The study concludes that the trait recognition is able to distinguish between the bankrupt banks and the successful banks, but C.A-score model is not able to give the results at level of significance (0.05). It is also noticed that the trait recognition is able to give results of successful banks by (0.100) accuracy, while the bankrupt banks by (0.83) accuracy. As to (motivated trait recognition), it has been more accurate in classifying the bankrupt banks where accuracy has been (0.100), and that the accuracy in classifying the successful banks has been also (0.100), i.e. (motivated trait recognition) has the preference. The study recommends using the trait recognition in general and the motivated trait recognition in particular since it can be used without sticking to a certain number or type of the financial ratios. "Risk capital stress testing framework and the new capital adequacy rules" (Andersson, 2007).

The problem of this study is how to develop a mathematical model to calculate capital adequacy ratios of the third section " short term assistant debts to cover the market risks", according to rules of the Basel Convention, the third component of capital. The study aims to test sensitivity of the capital risks on the market according to this component through:

1. Measuring change in equity according to change behavior in the interest rates.

2. Measuring change in equity according to rules of the third section of Basel Convention which is considered the third component of the capital.

The study provides a set of results, including:

Defining a mathematical model to calculate capital adequacy ratios of the third section according to rules of Basel Convention (Rientaion, 1998) "implementing banking evaluation system (CAMELS) on Quaker Bank in America".

The problem of the study is the discussion of elements of banking evaluation system and the required basics to measure effectiveness of elements of evaluation and to analyze weaknesses in the bank performance. The study ends with several recommendations, including:

a. Applying (CAMELS) system to support efficiency and effectiveness of control and inspection to reduce the banking risks.

b. Activating the key elements of (CAMELS) system to discover the weaknesses in every element to deal with them in a high effective manner.

c. Documenting the problems through special reports, and determining treatment methods and the alternative treatment for the purpose of accumulating the supervisory experience.

To answer these questions, this study will use the "Case Study" method, through analyzing the financial statements (balance sheets and income statements) of the Jordanian investment banks for the period (2000-2011). Therefore, this study will not use any hypotheses; rather it will study, analyze and evaluate the accomplished fact of the banks, the sample of the study.

3. Methodology of research

3.1. Population and sample of the study

Population of the study consists of all Jordanian commercial banks, while the sample of the study consists of five Jordanian commercial banks for the period (2000-2011).

3.2. Data collection methods

In collecting data, the references of scientific research are used to help the researcher form the theoretical and applied framework of the study. Sources of data collection consist of two parts:

- Secondary resources: the books, periodicals, referred scientific journals, university theses and the literature in connection with subject of the study to cover the theoretical framework of the study.

- Primary resources: the resources related to data of the study which consist of publications of Amman Stock Exchange and the annual reports on the joint stock companies listed in Amman Stock Exchange.

3.3. Model of the study

To practically achieve objectives of the study, the multiple statistical methods like SPSS and correlation coefficient will be used.

3.4. Financial ratios and financial analysis. Definition and types of financial ratios

Definition of financial ratios: the mathematical relationship between two numbers, the first of which is called numerator and the second is called denominator. The result of dividing the numerator on the denominator is a number that is multiplied by 100 to get the percentage. It may also be defined as (a relation between two numbers or more, and that the result of this relation has no value unless compared to another agreed upon ratios, where the agreed ratio is called the reference ratio, or ratio of the industry to which legislator belongs)

(The standards used for comparison purposes are required to be calculated from financial statements with a single accounting policy i.e. the data have used to extract the standard are not different from data of the financial ratio like the pricing, inventory, the way of calculating the extinction, the policy of revaluation of the fixed assets etc.). Types of financial ratios:

1. Liquidity ratios;
2. Debt ratios;
3. Activity ratios;
4. Profitability ratios;
5. Market ratios.

First: Liquidity ratios

These ratios are important since they measure the solvency of the organization in the short term. In other words, the ability of the company to pay the sable financial obligations. The organization's solvency in the short term shows extent of coverage of the current liabilities by the organizations' assets, where the organization can convert these assets into cash in period that equals maturity of the current liabilities. It

could be said also "lack of sufficient liquidity in the company leads to the financing risks and therefore decline of its credit position". The liquidity ratios are divided into two parts:

1. Trading ratios: the trading ratio is calculated through dividing the current assets by the liabilities, the division result represents the number of times of coverage of the current assets to the current liabilities.

2. Quick liquidity ratios: this ratio is used to examine sufficiency of the cash sources and semi-cash sources in the company to face its short term obligations without being obliged to liquidate its assets of goods. Under these conditions, this ratio is considered more reserved measurement of liquidity than the trading due to its limitation to the more liquidity, and since it excludes the goods and the advance expenses from the numerator.

Second: Debt ratios

Debt ratios are considered important decision-making processes whether decisions of the company itself or its clients through comparing debts of the companies on borrowing or the assets of the company. The debt ratios are divided as follows:

1. Debt ratio: it measures the percentage of the monies provided by other sources other than the equities. This percentage is measured through dividing total liabilities by total liabilities.

2. Profits on interest ratio: this ratio measures the level in which the operating income can be reduced before the company is not able to bear costs of its annual interest. This ratio is measured through dividing profits before interests and taxes by the interest fees.

Third: Activity ratios

They are used to evaluate efficiency of the organization and how effectively it invests its available resources, including the comparison between the net sales and the investment in different types of assets; focusing on the assets in connection with generation of sales like the inventory, receivables, fixed assets, etc. the activity ratios are divided as follows:

1. Inventory turnover: this ratio measures number of times of use of the inventory in sales i.e. it indicates to how fast the inventory transforms into sales. This ratio is measured through dividing cost of sold goods by the inventory balance.

2. Average of collection period: it is measured through dividing debit accounts by average of daily sales to define the number of days on which the sales are connected to the debit accounts

3. Average of payment period: it is measured through dividing the credit accounts by average of daily purchases.

Fourth: Profitability ratios

These ratios are considered the most important ratios in the financial analysis since they assert the business results. These ratios measure level of returns realized by the company in a certain year compared to assets, sales and capital. These ratios are divided as follows:

1. Total profit margin: this ratio is measured through dividing sales minus cost of sold good by the sales.

2. Operational profit margin: this ratio is measured through dividing the operational profit (profit before interests and taxes) by the sales.

3. Net profit margin: this ratio is measured through dividing the net profit after tax and interest by the sales.

4. Profit per share: it is measured through dividing net profit after tax and interest by number of shares.

5. Return on total assets: it is measured through dividing net profit after tax and interests by total assets.

6. Return on equity: it is measured dividing net profit after interest and tax by the equity.

7. Dividends per share ratio: it is measured through dividing actual distributed profits by number of shares.

Fifth: Market Ratios

These ratios provide the management with the previous performance of the company. These ratios are divided as follows:

1. Price/profit ratio: it is measured through dividing market price per share by profits per share.
2. Market/book ratio: it is measured through dividing market price per share by the book value per share.

3.5. Financial analysis. Concept of financial analysis

The modern studies have increasingly dealt with the subject of financial analysis, since it is considered a detailed analytical study of the data presented in the financial statements prepared according to the generally accepted accounting principles. The financial accounting analysis means an organized process to study contents of the financial statements for the purpose of crystallizing them and clarifying their significations and focusing on the facts beyond the numbers which leads to rationalizing decisions of users of the financial statements.

Objectives of the financial analysis

The financial statements represent outputs of the accounting system and inputs of financial analysis process, since the elements provided in a absolute form don't offer convincing answers on inquires of beneficiaries. Thus, it should be resorted to a method that explains the significant facts beyond these elements and numbers and shows the relations between them. In the banking sector, the financial analysis aims to basically examine integrity of the financial position, define amount of liquidity in the bank to perform its obligations at request and explains the bank's efficiency in terms of employment and investments.

Sources of information required for the financial analysis

The accounting data produced by the accounting system are considered essential data to start financial analysis process. In order for these data to reach objectively their purpose, there should be accurate inputs since accuracy of data contributes greatly to accuracy of analytical practical results as well as objectivity of the decisions made according to them.

Methods of financial analysis

Analysis methods vary according to variety of objectives and purposes of the financial analyst. There are many considerations to be observed when selection the appropriate analysis method such as reliability of data provided, adopted accounting approach, not using one financial indicator since it does not give an accurate clarification on the financial and professional situation. Analysis methods include:

A. Comparative analysis of financial statements: it is divided into two methods: horizontal analysis and vertical analysis.

B. Financial analysis according to the financial ratios: this is the most common financial analysis method, since it contributes to provision of significant and important financial indicators to evaluate efficiency of management performance and effectiveness of the financial activity. Further, it is able to discover weaknesses and strengths of the banking system and develop the future plans according to the results provided.

Financial analysis in the banking sector

The standards and indicators used in the financial analysis process enable the supervisory bodies to judge a bank's performance accurately, and enable the management to develop the future plans that improve the used business method. The more objective the financial statements, the more reliable and effective the results of analysis. These indicators can be classified as follows:

Liquidity indicators: they include quick and general liquidity ratios, and liquidity ratios according to decisions of Monetary and Credit Council (cash status ratio, underwriting by entrustment of public debt).

1. Sources of funds indicators: they include relative weight of the private funds, ratio of the private funds to deposits, ratio of the private funds to total sources of external finance, deposit growth rate.

2. Investment indicators: they include relative weight of investments, ratio of investments to deposits, ratio of private funds to investments.

3. Indicators of costs and profitability, they include:

- Cost analysis: it includes the relative weight of general expenses of the management, relative weight of the investment expenses, ratio of investment expenses to the investment revenues, ratio of collected interests to the paid interests.

- Profitability analysis: it includes ratio of investment profit to the investment revenues, return on private funds, and return on investment available funds.

3.6. Results of the statistical analysis

this section includes an analytical presentation of the results of the study that aim to evaluate performance of banks (Jordan Islamic Bank for Investment and Finance, Bank Al Etihad, Capital Bank of Jordan, Arab Jordan Investment Bank, and Arab Bank) for the period (2000-2011) according the following variables (liquidity, indebtedness, profitability, market ratios, and activity ratios).

Liquidity ratios

In order to evaluate performance of Jordan Islamic Bank for Investment and Finance, Bank Al Etihad, Capital Bank of Jordan, Arab Jordan Investment Bank, and Arab Bank for the period (2000-2011) according to variable of liquidity, arithmetic means and standard deviations of the liquidity ratios are measured as shown in table 1.

Table 1. Arithmetic means and standard deviations of the liquidity ratios

Bank	Arithmetic mean	Standard deviation	Rank
Jordan Islamic Bank	0.59	0.34	1
Bank Al Etihad	0.43	0.10	5
Capital Bank of Jordan	0.43	0.11	4
Arab Jordan Investment Bank	0.51	0.14	2
Arab Bank	0.51	0.14	2

Table 1 show that the highest liquidity ratio is found in the Jordan Islamic Bank, where the arithmetic mean of liquidity ratio is (0.59), and the standard deviation is (0.34).

Both the Arab Bank and Arab Jordan Investment Bank rank second, where the arithmetic mean of liquidity ratio in these two banks is (0.51), and the standard deviation is (0.14). The Capital Bank of Jordan ranks third, where the arithmetic mean of liquidity ratio in this bank is (0.43) and the standard deviation is (0.11). The lowest liquidity ratio is found in Bank Al Etihad, where the arithmetic mean of liquidity ratio in this bank is (0.43) and the standard deviation is (0.10).

Indebtedness ratios

In order to evaluate performance of Jordan Islamic Bank for Investment and Finance, Bank Al Etihad, Capital Bank of Jordan, Arab Jordan Investment Bank, and Arab Bank for the period (2000-2011) according to variable of indebtedness, arithmetic means and standard deviations of the indebtedness ratios are measured as shown in table 2.

Table 2. Arithmetic means and standard deviations of the indebtedness ratios

Bank	Arithmetic mean	Standard deviation	Rank
Jordan Islamic Bank	92.77	1.22	1
Bank Al Etihad	86.22	4.63	4
Capital Bank of Jordan	83.35	2.62	5
Arab Jordan Investment Bank	86.92	3.03	3
Arab Bank	87.32	3.89	2

Table 2 shows that the highest indebtedness ratio is found in the Jordan Islamic Bank, where the arithmetic mean of indebtedness ratio is (92.77), and the standard deviation is (1.22).

The Arab Bank ranks second, where the arithmetic mean of indebtedness ratio is (87.32), and the standard deviation is (3.89).

The Arab Jordan Investment Bank ranks third, where the arithmetic mean of indebtedness ratio is (86.92), and the standard deviation is (3.03).

Bank Al Etihad ranks fourth, where the arithmetic mean of indebtedness ratio is (86.22), and the standard deviation is (4.63).

The lowest indebtedness ratio is found in Capital Bank of Jordan, where the arithmetic mean of indebtedness ratio is (83.35), and the standard deviation is (2.62).

Profitability ratios

In order to evaluate performance of Jordan Islamic Bank for Investment and Finance, Bank Al Etihad, Capital Bank of Jordan, Arab Jordan Investment Bank, and Arab Bank for the period (2000-2011) according to variable of profitability (net profit, return per share, return on total assets, and return on equity), arithmetic means and standard deviations of the profitability ratios are measured as shown in table 3.

Table 3. Arithmetic means and standard deviations of the profitability ratios

Profitability ratios	Bank	Arithmetic mean	Standard deviation	Rank
net profit	Jordan Islamic Bank	15335081.58	12884253.29	2
	Bank Al Etihad	5260443.67	7785633.93	5
	Capital Bank of Jordan	9374968.67	6586013.77	3
	Arab Jordan Investment Bank	7326564.42	3708885.30	4
	Arab Bank	206693666.67	85101735.09	1
return per share	Jordan Islamic Bank	0.21	0.14	2
	Bank Al Etihad	0.16	0.19	3
	Capital Bank of Jordan	0.15	0.09	4
	Arab Jordan Investment Bank	0.15	0.06	5
	Arab Bank	6.00	6.83	1
return on total assets	Jordan Islamic Bank	0.84	0.56	5
	Bank Al Etihad	1.08	1.09	3
	Capital Bank of Jordan	1.74	1.04	1
	Arab Jordan Investment Bank	1.25	0.32	2
	Arab Bank	1.08	0.31	4
and return on equity	Jordan Islamic Bank	11.39	6.82	1
	Bank Al Etihad	7.96	7.92	5
	Capital Bank of Jordan	11.08	7.02	2
	Arab Jordan Investment Bank	9.71	2.61	3
	Arab Bank	8.98	2.38	4

Table 3 shows:

As for variable of net profit: the highest net profit ratio is found in the Arab Bank, where arithmetic mean of net profit ratio is (206693666.67). Jordan Islamic Bank ranks second, where arithmetic mean of net profit ratio is (15335081.58). The Capital Bank of Jordan ranks third, where arithmetic mean of net profit ratio is (9374968.67). The Arab Jordan Investment Bank ranks fourth, where arithmetic mean of net profit ratio is (7326564.42). While the lowest net profit ratio is found in Bank Al Etihad, where arithmetic mean of net profit ratio is (5260443.67

As for variable of return per share: The highest ratio of return per share is found in the Arab Bank, where the arithmetic mean of ratio of return per share is (6.00). The Jordan Islamic Bank ranks second, where the arithmetic mean of ratio of return per share is (0.21). Bank Al Etihad ranks third, where the arithmetic mean of ratio of return per share is (0.16). The Capital Bank of Jordan ranks fourth, where the arithmetic mean of ratio of return per share is (**0.15**), and the standard deviation is (0.09).

While the lowest ratio of return per share is found in The Arab Jordan Investment Bank, where the arithmetic mean of ratio of return per share is (**0.15**), and the standard deviation is (0.06).

As for variable of return on total assets: The highest ratio of return on total assets is found in The Capital Bank of Jordan, where the arithmetic mean of ratio of return on total assets is (1.74). The Arab Jordan Investment Bank ranks second, where the arithmetic mean of ratio of return on total assets is (1.25). Bank Al Etihad ranks third, where the arithmetic mean of ratio of return on total assets is (1.08) and the standard deviation is (1.09). The Arab Bank ranks fourth, where the arithmetic mean of ratio of return on total assets is (1.08) and the standard deviation is (0.31). While the lowest ratio of return on total assets is found in the Jordan Islamic Bank, where the arithmetic mean of ratio of return on total assets is (0.84).

As for variable of return on equity. The highest ratio of return on equity is found in the Jordan Islamic Bank, where the arithmetic mean of ratio of return on equity is (11.39). The Capital Bank of Jordan ranks second, where the arithmetic mean of ratio of return on equity is (11.08). The Arab Jordan Investment Bank ranks third, where the arithmetic mean of ratio of return on equity is (9.71). Arab Bank ranks fourth, where the arithmetic mean of ratio of return on equity is (8.98), while the lowest ratio of return on equity is found in Bank Al Etihad, where the arithmetic mean of ratio of return on equity is (7.96).

Market ratios

In order to evaluate performance of Jordan Islamic Bank for Investment and Finance, Bank Al Etihad, Capital Bank of Jordan, Arab Jordan Investment Bank, and Arab Bank for the period (2000-2011) according to variable of market ratios (ratio of price on profits, and ratio of market on book), arithmetic means and standard deviations of the market ratios are measured as shown in table 4.

Table 4. Arithmetic means and standard deviations of the market ratios

Market ratio	Bank	Arithmetic mean	Standard deviation	Rank
Ratio of price on profits	Jordan Islamic Bank	11.83	19.19	**2**
	Bank Al Etihad	1.41	0.93	**4**
	Capital Bank of Jordan	1.35	0.08	**5**
	Arab Jordan Investment Bank	1.51	0.26	**3**
	Arab Bank	52.73	61.35	**1**
Ratio of market on book	Jordan Islamic Bank	14.71	13.67	**4**
	Bank Al Etihad	8.29	26.11	**5**
	Capital Bank of Jordan	38.79	55.82	**1**
	Arab Jordan Investment Bank	15.02	5.27	**3**
	Arab Bank	25.30	12.68	**2**

Table 4 shows:

As for variable of ratio of price on profits: The highest price ratio on profits is found in the Arab Bank, where the arithmetic mean of price ratio on profits is (52.73). Jordan Islamic Bank ranks second, where the arithmetic mean of price ratio on profits is (11.83). Arab Jordan Investment Bank ranks third, where the arithmetic mean of price ratio on profits is (1.51). Bank Al Etihad ranks fourth, where the arithmetic mean of price ratio on profits is (1.41), while the lowest price ratio on profits is found in Capital Bank of Jordan, where the arithmetic mean of price ratio on profits is (1.35).

As for variable of market ratio on book: The highest market ratio on book is found in the Capital Bank of Jordan, where the arithmetic mean of market ratio on book is (38.79). Arab Bank ranks second, where the arithmetic mean of market ratio on book is (25.30). Arab Jordan Investment Bank ranks fourth, where the arithmetic mean of market ratio on book is (15.02). The Jordan Islamic Bank ranks fourth; where the arithmetic mean of market ratio on book is (14.71).While the lowest market ratio on book is found in Bank Al Etihad, where the arithmetic mean of market ratio on book is (8.29).

Activity Ratios

In order to evaluate performance of Jordan Islamic Bank for Investment and Finance, Bank Al Etihad, Capital Bank of Jordan, Arab Jordan Investment Bank, and Arab Bank for the period (2000-2011) according

to variable of activity ratios (payables ratio and receivables ratio), arithmetic means and standard deviations of the activity ratios are measured as shown in table 5.

Table 5. Arithmetic means and standard deviations of the activity ratios

Activity ratios	Bank	Arithmetic mean	Standard deviation	Rank
Average of payables payment period	Jordan Islamic Bank	53093209.25	27129611.66	2
	Bank Al Etihad	42594487.25	25528828.17	4
	Capital Bank of Jordan	47205536.75	25229567.61	3
	Arab Jordan Investment Bank	27482425.17	13866843.27	5
	Arab Bank	819390916.67	213763317.26	1
Average of receivables collection period	Jordan Islamic Bank	25715372.08	9919876.12	2
	Bank Al Etihad	22579503.08	12702815.82	4
	Capital Bank of Jordan	22690132.25	14389302.93	3
	Arab Jordan Investment Bank	14967700.67	6824372.39	5
	Arab Bank	423676250.00	138110713.34	1

Table 5 shows:

As for average of payables payment period: The highest arithmetic mean of the payables ratio is found in the Arab Bank where it is (**819390916.67**). Jordan Islamic Bank ranks second, where arithmetic mean of the payables ratio is (53093209.25). Capital Bank of Jordan ranks third, where arithmetic mean of the payables ratio is (47205536.75). Bank Al Etihad ranks fourth, where arithmetic mean of the payables ratio is (42594487.25), while Arab Jordan Investment Bank ranks last, where arithmetic mean of the payables ratio is 27482425.17).

As for average of receivables collection period: The highest ratio is found in the Arab Bank, where the arithmetic mean is (423676250.00). Jordan Islamic Bank ranks second, where the arithmetic mean is (25715372.08). Capital Bank of Jordan ranks third, where the arithmetic mean is (22690132.25). Bank Al Etihad ranks third, where arithmetic mean is (22579503.08), while Arab Jordan Investment Bank ranks last, where arithmetic mean is (14967700.67).

4. **Results and Recommendations**

According to the analytical study conducted on the banks, sample of the study, a set of results are provided, including:

4.1. Results

1. The statistical analyzes of the banks, sample of the study, show that the Jordan Islamic Bank ranks first as to the liquidity ratio by (0,34) standard deviation, while the banks followed it as to the standard deviation of liquidity ratio ranges from (0.14) to (1.10). This difference is very large which indicates that the Jordan Islamic Bank has a big ratio of liquidity.

2. The study shows that the Jordan Islamic Banks also ranks first as to indebtedness ratio and that the lowest indebtedness ratio is found in the Capital Bank of Jordan.

3. As for the profitability, the study shows that the highest profitability ratio is found in the Arab Bank, followed by the Jordan Islamic Bank, while the lowest profitability ratio is found in Bank Al Etihad.

4. As for ratio of return on per share, the Arab Bank ranks first, and Jordan Islamic Bank ranks second, while Arab Jordan Investment Bank ranks last.

5. As for variable of return on total assets, the Capital Bank of Jordan ranks first, and Arab Jordan Investment Bank ranks second, while Jordan Islamic Bank ranks last.

6. As for return on equity, the Jordan Islamic Bank ranks first, and Capital Bank of Jordan ranks second, while Bank Al Etihad ranks last.

7. As for variable of price ratio on profits, the Arab Bank ranks first, and Jordan Islamic Bank ranks second, while Capital Bank of Jordan ranks last.

8. As for variable of market ratio on book, Capital Bank of Jordan ranks first, and Arab Bank ranks second, while Bank Al Etihad ranks last.

9. As for average of payables payment period, Arab Bank ranks first, and Jordan Islamic Bank ranks second, while Arab Jordan Investment Bank ranks last.

10. As for average of receivables collection period, Arab Bank ranks first, Jordan Islamic Bank ranks second, while Arab Jordan Investment Bank ranks last.

4.2. Recommendations

According the results achieved, a set of recommendations is provided:

1. Not keeping a large ratio of liquidity in banks which means that there are funds not properly invested which leads to decline of profitability.

2. Not expanding the indebtedness in a manner exceeds the required limit to finance the investment activities which leads to deficit in budget of the bank.

3. As for the banks that show low profitability ratios, they should conduct necessary analytical studies to address weakness of profitability ratios (whether ratio of return on per share, ratio of return on assets, or ratio of return on equity) and identify the reasons beyond decline of these ratios.

4. Paying attention to the market ratios, since market ratios are important ratios that reflect the market position of the bank whether at investor's level or clients' level.

5. As for average of payables payment period, it is necessary to observe payment periods of payables and receivables, otherwise, this will harm reputation of the bank.

6. As for average of collection periods, banks should develop standards on selecting clients and investors to whom they grant credit in order to avoid insolvency due failure of payment of receivables to the bank.

References

1. Tarawneh, T., Sulaiman, M., (1997), Ability of Decision-Makers to Benefit from the Financial Statements, a field study, Mutah for Research and Studies, 12th volume, 4th issue.

2. AL-Sayyah, Abd Al-Sattar, (1999), Efficiency of Cash Flow Management in the Commercial Banks, Journal of Economic Prospects, 20th volume, issue 79.

3. Marwan A.G., (2000), Evaluation of Financial Performance of the Jordanian Commercial Banks (1978-1998), unpublished master thesis, Al al-Bayt University, Jordan.

4. Ramadan, A., (2003), The Economic and Financial Performance of the Kuwaiti Banking System according to the Concept of Total Quality, Journal of Administrator, year 25, issue 95.

5. Oexaminer R., (1998). Applying the banking evaluation system (CAMELS) on Quaker Bank in America, unpublished applied study, Palestine Monetary Authority.

6. Saheb A.A., Faeq M.Q., (2005). "Banks Management", Department of Administration and Economy, Univesrity of Kufa, Tikrit University, Ibn Al-Atheer for Printing and Publishing, University of Mosul.

7. Fleih H.K., (2006). Money and Banks, Jadara for Global Book, Amman, 1st edition

8. Law of the Central Bank No. 23 of 1971, as amended.

9. Jordan Central Bank, Jordan Central Bank during twenty-five years, 1964-1989, 6th edition.

10. Faeq Shkeir et al., Banks Accounting, Dar Almasira, Amman.

11. Sarmad Kawkab A., Introduction to the financial markets (theories and applications), Dar Ibn Alatheer, 2nd edition.

12. Waleed S., (1994). Analysis and Discussion of Financial Statements, Altawuniah Press, 1st edition, Amman, 1994.

13. Hamzeh Al-Zubaidy, "Management of Banking Credit and Credit Analysis", Dar Alwarrq for publishing and distribution, Amman.

14. Khaled M.A. "Extent of use of financial ratios in rationalizing decisions of grant of credit facilities in Libyan private banks", unpublished master thesis, Al al-bayt University, Department of Economy and Administrative Sciences.

15. Khaled Al-Rawi (2000). "Financial analysis of the financial statements and the accounting disclosure", Dar Almasira, 1st edition, Amman.

16. Brigham E. and Aerhardt A., Theoretical Financial Management and Practical Application, 1st book, translated by Srour Ali Ibrahim Srour and others, Al-Marikh for publishing, KSA.

17. Zamel A.M. (2000). "Administrative Accounting: computer applications", Aledara Alamah for Printing and Publishing, Public Management Institution, Riyadh.

18. Zyoud L., *et al*, (2005). "Evaluation of performance of banks using tools of financial analysis: a field study on Syrian Industrial Bank". October University's journal for studies and scientific research, series of economic and administrative sciences, volume 27, issue 4.

19. Waleed, N.A. (2000). Financial Analysis: modern trend in financial analysis (integrated scientific and practical approach), Alwarraq Press, 1st edition, Jordan.

20. Manual of performance evaluation indicators in the public economic sector, banking sector indicators.

21. Al-Jafra, A., (2012), The Extent of Use of the Financial Ratios in Taking the Financing Decisions in the Jordanian Islamic Banks, unpublished master thesis, Middle East University, Jordan, p. 89.

22. Abd-Alnaser, S., (2013), The Financial Analysis as a Tool to Take Decisions in the Petrolium Organizations in Algeria, a case study of ENSP Establishment (2010, 2011, and 2012), unpublished master thesis, University of Ouargla, Ouargla, Algeria, p. 7.

23. Gharaibeh (2007), "Prediction bank failure using selected applied models: A case study of Jordanian banks".

24. Anderson L., (2007). "Risk capital stress testing framework and the new capital adequacy rules", Group Risk Control, Swedbank, Research Report.

25. Wild, J. and Bernstein L., (2000). Financial statement analysis, seventh edition, McGraw-Hill, p. 42.