

The Determinants of Financial Stability: Evidence from Jordan

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Abstract : This study aims to examine the determinants of financial stability for 13 commercial banks listed on the Amman stock exchange (ASE) over the period (2007-2016) after controlling for the independent variables: return on equity (ROE), return on assets (ROA), earnings per share (EPS), growth in gross domestic product (GDP), inflation rate and debt ratio to measure the financial stability by three main variables: capital adequacy, non-performing loans and the number of returned checks. The balanced panel data statistical approach has been used for data analysis. Results are estimated by using multiple regression models. The empirical results suggested that there is statistically significant negative effect of inflation rate and debt ratio on the capital adequacy while there is statistically significant positive effect of growth in gross domestic product on capital adequacy. In contrast, there is statistically significant negative effect of return on equity and growth in gross domestic product on the non-performing loans while there is statistically significant positive effect of inflation rate on non-performing loans. Finally, there is statistically significant negative effect of growth in gross domestic product on the number of returned checks while there is statistically significant positive effect of inflation rate on the number of returned checks.

Keywords : capital adequacy, financial stability, non-performing loans, number of returned checks, ASE

Conference Title : ICEBFM 2019 : International Conference on Economics, Business, Finance and Management

Conference Location : Barcelona, Spain

Conference Dates : August 15-16, 2019