Operating Efficiency and Stock Performance: The Case of Jordanian Banks

الكفاءة التشغيلية وأثرها على أسعار الأسهم في البنوك الأردنية

By

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Abstract

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The purpose of this study is to contribute further evidence on banks operating efficiency in Jordan, by employing Data Envelopment Analysis (DEA) approach, and investigating the link between such measure and the market performance for these banks.

This study depends mainly on the financial data available about 14 Jordanian banks (7 Islamic, and 7 commercial) from 1987 until 2017. The researcher uses multiple input variables (Labor, Capital, Deposits) and multiple output variables (Investments, Loans) to measure the efficiency scores.

The results of this study advice the bank managers to concentrate on minimizing the cost of deposits and capital in order to enhance their operating efficiency.
Also this study found no significant relationship between operating efficiency and bank stock performance, and a significant relationship with earning per share for the banking sector in Jordan.

Finally, the researcher advice the investors at the stock markets to study other factors than the operating efficiency that may affect the stocks movements.