
By

Sireen Muhamad Musmar

Thesis Submitted in Partial Fulfillment of the Requirements of the Masters Degree in Banking and Finance at Yarmouk University.

Approved By

Dr. Moh'd M. Ajlouni .................................................. Supervisor
Prof. Ali Magableh .......................................................... Member
Dr. Abeer Kouri .......................................................... Member
Dr. Zakeyah Mashal .................................................. Member
Abstract

This study aims to measure the performance efficiency of Jordanian banking sector by comparing commercial banks with specialized ones (specialized credit Institutions) in an attempt to identify the factors that affecting their performance.

This study will cover Jordanian commercial banks(CBs) listed in Amman Stock Exchange (ASE) and the specialized credit institutions(SCIs) that provided full information from year 2000 to 2005. This period has witnessed the joining of Jordan to World Trade Organization and local banks began to provide clear financial data. The sample consists of 18 Jordanian commercial and investment banks and covers 8 commercial banks and 3 specialized credit institutions. The sample period spans over a period that encompasses five annual financial years 2000-2005. To evaluate the performance efficiency of commercial banks and special credit institutions and to compare between them, profitability ratio, debt ratio, productivity and portfolio composition are used for this purpose.

This study has emerged a set of results; the most important ones are: The profitability, labor productivity, and debt ratio of (C.B) are greater than they are in (S.C.I). Portfolio Composition in the C.B banks is smaller than the Portfolio Composition in S.C.I. and there is a significant difference in profitability between (C.B) and (S.C.I). These differences tend to favor (CB), which means the profitability in (C.B) is better than the profitability in (S.C.I). and there is a difference between the performance efficiency of (CB) and (SCI). Generally speaking, efficiency performance in (C.B) is better than (S.C.I).

The study concluded a set of recommendations:
1) There is a need to rely on financial ratios to measure the efficiency performance of both (CBs) and (SCIs) in order to develop the proposals that lead to increase efficiency performance.

2) (S.C.I) must expand lending activities and work on investment, and capital investment to increase their profitability ratios since they have low profitability ratios compared with (C.B).