

# Jordan Banks Financial Soundness Indicators

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## Abstract

*The aim of this research paper is to examine the Jordanian banks using financial soundness indicators. This is to establish if Jordanian banks were affected because of the 2007/2008 financial crisis and determine the underlying reasons. The research paper was conducted on 25 banks in Jordan listed in the countries securities exchange. The research methodology used consisted of examining the banks financial records in order to derive four crucial Basel III ratio such as the capital adequacy ratio, the leverage ratio, the liquidity ratio and finally the Total Provisions (As % Of Non-Performing Loans) %. The results revealed that out of the four hypotheses under examination Jordan Banks do not meet Basel financial Indicators for Capital Adequacy Ratio, Jordan Banks does not meet Basel financial Indicators for Liquidity Ratio, Jordan Banks do not meet Basel financial Indicators for Leverage Ratio and Jordan Banks do not meet Basel financial Indicators for Total Provisions (As % Of Non-Performing Loans) ratio. Only one hypothesis was accepted based on the research outcomes. The rest of the hypothesis was rejected since the average trend line did not go below the Basel III required ratio level. The general outcome of the research revealed that Jordanian banks were not affected significantly by the financial crisis.*

**Key words:** Commercial Banks, Financial Indicators, Bank Performance, Jordan

**JEL classification:** G21, G30

## Introduction

The underlying cause of the financial crisis, which almost crippled the world's financial crisis, is a phenomenon, which has attributable to increased liberalisation without adequate financial regulation as well as supervision in the sector (Chun, Kim & Ko, 2012). The financial crisis brought about a need for the regulation of financial institution which had become increasingly reckless in the way they were doing business.

There business models had become increasing risky and this is what led banks such as Lehman brothers to demise. The unregulated manner in which banks did their business was reported to be the single defining outcome which leads to crisis in the banking sector. In order to ensure that stakeholders are better protected in the financial sector from unscrupulous leaders committee such Basil committee arose with a set of regulation key on taming creative accounting, increasing utilised to manipulate financial systems. The regulatory frameworks conceptualised by Basil committee is a universal system used to enhance the resilience of banks and this is enabled with the setting up of a

global structure for liquidity risk assessment, principles as well as monitoring known as the Basil III (Blundell-Wignall & Atkinson, 2010). According to Lastra (2011) Basil III is a regulatory framework which is based on two approaches the macro and micro prudential. Chun, Kim & Ko (2012) stated that micro-prudential regulatory framework, a key regulatory framework in regulating the capital bases of banks by widening the scope of risk on the banks capital base and hence, conceptualising and bringing into the financial sector global liquidity standards as well as setting up as a regulated leverage ratio.

The micro-prudential regulatory also enhances the supervisory role in the financial sector as well as better risks management and better disclosure of relevant material information which was previously hidden from the shareholders. According to Lastra (2011) also stated that the micro-prudential regulatory framework worked in implementing countercyclical measures especially when the economy is faced with different economic outcomes to ensure the economy is strengthened. This measure also seeks to regulate the bank's leverage ratios which in the end end up enhancing the regulatory systems vital in the banking sector.

The World Bank (2003) stated that banks in Jordan were central to the countries financial sector and hence vital to the country's economy. The Jordanian government has for a long time been keen on regulating the banking sector due to its importance in the economy. Zeitun and Benjellou (2012). According to Jordan Investment Bank (JIB) (2005) the central bank of Jordan as early as the 1989 had already initiated reforms in the banking sector such as increasing the paid up capital and ensuring creating greater inflow of foreign capital. Despite all this initiatives from the government, today countries in the Arab world are experiencing regional political issues which are likely to impact on those countries.

The aim of this study is to Jordan Banks Financial Soundness Indicators for 25 banks for a period of 2003-2014 and this will be undertaken with the regulatory. This study is vital in providing a greater empirical research on the banking system in Jordan which is a study seldom undertaken by researcher and with the outcome of this research, a greater understands of the banking system in the Middle East will be determined.

## **Literature Review**

As a result of financial irregularities in the financial sector which resulted in the global economic crisis, there has been an increased need for a greater level of regulation in the financial sector, specifically the banking sector which has seen the greatest levels of financial malpractice. This initiative has been taken by the Basel committee on banking supervision BCBS with a set of regulation, key in strengthening the financial sector by having a solidified international capital as well as rules guiding on liquidity which today as emerged as a major issue in banking (Nolle, 2015). According to the BCBS, this rule will have the capacity to change the banking sector into as more sustainable and resilient to different factors (Nolle, 2015). This set of rules is defined as the Basel III and consists of segregated issues of change which have different mandates as well as implementation stages.

Basel III regulations which, are not mandatory, but voluntary to any financial institution, are having major importance and impact banks in a very positive manner. The regulation is not only vital to the individual banks which may either benefits or hinders the banks in their operations but also impact on the general financial system present in any country as well as globally if all countries are to adopt the new banking regulations. Under the Basel III, banks which are weak, when faced with adverse external factors affecting the business sector, such banks will find it very hard when it comes to raising adequate capital and hence not able to give out as loans which later leads them to scale down on their money generating activities and hence become less competitive to stronger banks (Barth, Caprio & Levine, 2004). The impact on the financial sector in the country will be an increased capital as well as liquidity buffers relevant to investors and important stakeholders and an increased level of risk management utilised in the financial sector brought about with better standard. With increased standards and capabilities in place through regulations, this ensures that the risks of banks collapsing such as Lehman Brothers will never occur again. The basil III regulation again will aid the financial sector by limiting the direct relationship between different institution and hence avoid instances such as when Barclays bank manipulated the interbank lending rate LIBOR.

The financial crisis creates an avenue for regulators to create regulation to avoid what happened during the time especially in the banking sector. Regulators such as the Basel committee of banking supervision, which introduced the Basel III rules in 2010 meant to offer solution to the banking sector in term so lowering the risk level that spreads from the banking sector to other areas of the economy. Of importance to the Basel III framework was to correct the

inherent issues in the capital adequacy as well as the absence of a foundation, which could be used and features a harmonised standard applicable. The Basel committee was able to enhance the tier 1 capital that enabled the banks to have an enhanced buffer. It is up to banks to enhance their financial structures to enable them become more structural sound by enhancing capital, reducing costs as well as cutting risks.

With the Basel III regulations on banks, banks will have to significantly enhance their capital requirement and hence this has the effect of adding costs and will find it hard attracting new investors to the bank (Basel Committee, 2010). This aspect when factored into the financial systems, act to lower the lending capacity of banks with banks now required holding some of the capital which previously was better utilised in lending activities.

The general requirement of Basel III hence it can be broken down into 6 changes as seen in table 1 below

**Table 1:** Six changes sought by Basel III

<i>Increase quality of capital</i>
<i>Increase quantity of capital</i>
<i>lower leverage through introduction of</i>
<i>Backstop leverage ratio</i>
<i>Increase short term liquidity coverage</i>
<i>Increase stable long term balance sheet funding</i>
<i>Strengthened risk capture</i>

According to Zeitun & Benjelloun (2012) the banking system in Jordan can be categorised into two banking systems. On one hand there is the Islamic banking which offers financial services while adhering to religious regulations, specifically sharia law then there is the traditional banking systems. The Jordan, there are currently three banks that adhere to sharia law and their fundamental approach to doing business is to elimination of interest rates applied to any amounts either deposited or given by the bank. According to Khamis (2003) the central bank of Jordan is the central regulatory authority in the country which acts independently. The central bank regulates all the banks in the country whilst still authorise of new financial institutions as well. Jordan banking sector has always been well acclaimed in its regulations and this was noted due to reduced government involvement in the financial sector (Zeitun & Benjelloun, 2012).

According Zeitun & Benjelloun (2012) research undertaken to determine the efficiency of banks in Jordan, the results showed that a large number of banks in the country did not score well in the efficiency score due to inefficient utilisation of resources. The countries Jordan Kuwait bank recorded the higher level of efficiency followed by Dubai Islamic bank. However when the banks were assessed using international standards, Jordanian banks scores very low and recommendation reached were for banks in the country to increase their level of efficiency. Zeitun & Benjelloun (2012) research also showed that the banking sector in Jordan was also affected by the financial crisis. Hence this showed that weaknesses in the affected banks in the US and other developed countries also affected Jordanian banks.

The concept of financial stability is a methodology that is still relatively complex to comprehend and utilise due to the lack of universal identifiable standard (Allen & Wood, 2006). According to researcher such as Crockett (1997) aspect of lack of instability can be considered as stability and this is also placed in the financial aspect as well. According to Stein (2011) financial stability is described as a situation where these four factors exist in the financial sector; monetary stability; employment levels and the country's economic levels are at par; confidence levels exist in the financial sector as well as the financial institutions in that sector and finally there is not significant asset movements likely to lead to financial crisis such as asset bubbles. Schwartz (1995) stated that price stability was an important constituent for financial stability. When an economy is termed as financial stable, it is described as an environment where the financial systems is stable enough to enhance the development of the economy and this means increased performance by organisations in the country leading to increased wealth for the country.

Batani, Vakilifard and Asghari (2014) according to basil III there is a minimum amount required by banks to adhere to. This aspect arose because of the financial crisis and banks were later required to raise the level of capital in the financial records or either, if this was not possible, given the option of the level of risk in their financial records hence, offers fewer loan facilities to its customers (Batani et al., 2014). Hence, this ratio is vital in assessing market risk, credit risk, and exchange risks all under the ideal of risk in the calculation. The leverage ratio, which is another ratio require by basil III was incorporated to ensure that banks were hindered from enhancing leverage which was responsible for the weakening deleveraging methods (Basel Committee on Banking Supervision, 2014). The objectives of the liquidity coverage ratio are to enhance the short-term pliability of the banks risk profile. This is to ensure that bank as an adequate reserve of assets, which can be converted to cash easily and meets the banks cash requirements for the month. This thus, ensures the bank is able to covers unseen risks caused by either systematic or unsystematic risks (Basel Committee on Banking Supervision, 2013).

## Research and Methodology

The data for this research paper consisted of gathering information consisting of 25 banks in Jordan. The information was derived was influenced by the key objectives of calculating for significant ratios, significant in determining the reason why Jordanian banks were affected by the financial crisis.

The research process will consist of calculation of four significant ratios; leverage ratio, capital adequacy ratio and the coverage ratio as seen below

*Basel*

$$(1) \text{ Capital Adequacy Ratio } \% \quad \frac{\text{Regulatory Capital}}{\text{Credit Risk} + \text{Market Risk} + \text{Operational Risk}} \geq 12\%$$

*Basel*

$$(1.1) \text{ Capital Adequacy Ratio } \% \quad \frac{\text{Regulatory Capital}}{\text{Credit Risk} + \text{Market Risk} + \text{Operational Risk}} \geq 8\%$$

*Central bank (Jordan)*

$$(1.2) \text{ Capital Adequacy Ratio } \% \quad \frac{\text{Regulatory Capital}}{\text{Credit Risk} + \text{Market Risk} + \text{Operational Risk}} \geq 12\%$$

The importance of the capital adequacy ratio seeks to establish that point which risks are covered adequately. This rate is stipulated as to be above 12% since the ratio assesses the capital to the risk weighted asset ratio. Hence, banks should be able to carry out their business in such way that ensures capital should never falls the similar amount of 10,000,000 euro's.

The importance of this ratio since, it protects those who have deposited money to the bank as well as enhancing better financial systems globally. In this ratio, the aim is to assess the two types of capital for the banks, tier 1 and tier 2 capital, instrumental in absorbing losses when a bank is required to stop its operations and when the bank is wound up. According to Batani et al. (2014, p. 108) the capital adequacy ratio importance lies in the ability to assess a banks "efficiency and stability." When a bank adheres to even the lowest acceptable level of the CAR, this enhances the banks stability and efficiency thereby reducing chances of insolvency.

*Basel*

$$(2) \text{ Liquidity coverage Ratio } \% = \frac{\text{High quality liquid assets}}{\text{Total net liquidity outflows over 30 days}} \geq 100\%$$

The liquidity coverage ratio is an important ratio since it ensured the bank has adequate assets to covers short time liquidity issues that are mostly likely to arise (Keister & Bech, 2012). Banks in this situation are thus required to have assets, which are capable of covering 100% of any short time liquidity disruptions. The assets, which banks, are likely to have, consisted of either treasury bonds or cash though; these assets must be either equal or more than their net cash over the 30-day period. This ratio however will only be enforceable after the year 2015 though, some banks started utilising this ratio as far back as the year 2011.

*Basel*

$$(3) \text{ Leverage Ratio } \% = \frac{\text{Tier 1 (Reg. Cap)}}{\text{On \& Off balance sheet exposures}} \geq 3\%$$

This is the second ratio which will be used and consists is the leverage ratio. The importance of this ratio is to hinder the excessive build up of either on or off balance sheet leverage in the bank's balance sheet. Even with banks having a solid capital ratio, there is still a chance of banks having a high leverage ratio. This ratio hence, allows for the reduction of the leverage ratio by hence affects the asset price, pushing it downwards. This process allows for a change of the leverage level intensifies the circles between losses, reduced banks capital as well as a reducing credit available for lending. This ratio is a very simple, well understood and ratios as well as non risk and covers all elements of the bank's leverage either on or off balance sheet sources of the banks leverage (Basel Committee. 2010).

*Internal Limit*

$$(4) \text{ Coverage Ratio(Total Provisions (As \% Of Non-Performing Loans) \%} = \frac{\text{Provisions}}{\text{NPLs (Excl. IIS)}} \geq 65\%$$

The coverage ratio is important in terms of its ability to examine whether an organisation is able to honour its financial obligation when they fall due. A higher ratio, in this case, is a reflection of the organisation ability to honour its contractual obligations. This ratio is very important in showing the level, provision, cover the non-performing loans.

Non-performing loans are those, which are in default after three months. However, the duration that stipulated when a loan can be termed as a non-performing loan is dependent on the bank and the contract signed. According to the Basel requirement, the benchmarked level is provisions should cover 65% of the non-performing loans.

The calculation above will be applied in each of the 25 Jordanian banks to determine the financial position of the banks.

The aim of the research methods employed will strive to answer the following hypothesis

*Hypothesis 1: Jordan Banks do not meet Basel financial Indicators for Capital Adequacy Ratio*

*Hypothesis 2: Jordan Banks does not meet Basel financial Indicators for Liquidity Ratio*

*Hypothesis 3: Jordan Banks do not meet Basel financial Indicators for Leverage Ratio*

*Hypothesis 4: Jordan Banks do not meet Basel financial Indicators for Total Provisions (As % Of Non-Performing Loans) ratio*

The hypothesis will be tested based on the data outcome to the Basel benchmarks and this will allow for either accepting or rejecting the hypothesis.

## Results and Implications

The results from the calculation undertaken on the 25 banks in Jordan are presented below in (table 2). For all the banks under examination, the four ratios; capital adequacy ratio, liquidity ratio, leverage ratio and the coverage ratio were calculated. For all the ratios, the four-basil benchmark ratio will be examined together with the data outcome in (table 2). This allows comparison to assess whether the banks have been able to meet the minimum level as required under Basil III.

**Table 2:** Descriptive data for the 25 Jordanian banks

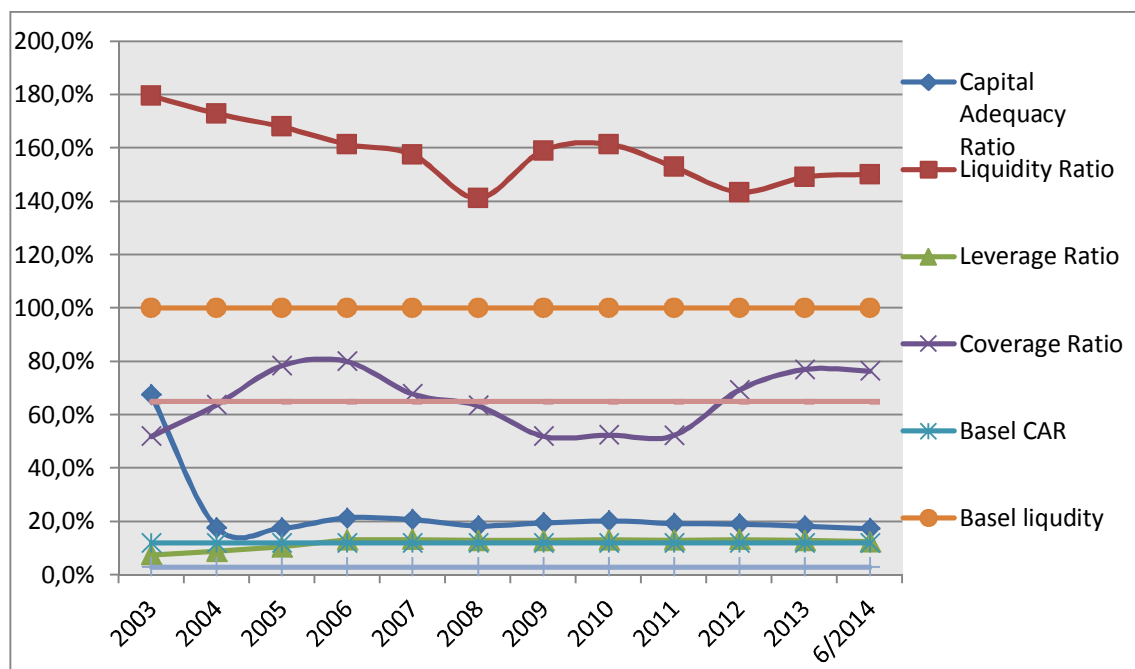
	Capital Adequacy Ratio	Liquidity Ratio	Leverage Ratio	Coverage Ratio
ARAB BANK	20.5%	155.4%	12.8%	79.8%
JORDAN ALHALI BANK	18.8%	145.6%	12.9%	77.6%
CAIRO AMMAN BANK	17.8%	142.7%	13.5%	71.9%
BANK OF JORDAN	19.8%	152.1%	11.8%	80.3%
HOUSING BANK	17.8%	141.4%	12.4%	69.8%
JORDAN KUWAIT BANK	18.2%	150.2%	12.6%	80.1%
ARAB JORDAN INVESTMENT BANK	19.8%	152.4%	13.8%	77.1%
JORDAN COMMERCIAL BANK	17.9%	148.8%	12.6%	77.8%
INVEST BANK	18.5%	151.1%	12.4%	75.8%
ABC BANK	17.6%	141.8%	12.7%	79.2%
BANK ALETIHAD	19.8%	147.8%	13.6%	75.0%
SGBJ	16.4%	145.7%	12.5%	73.6%
CAPITAL BANK	18.9%	155.0%	12.4%	75.7%
JORDAN ISLAMIC BANK	17.3%	152.4%	13.4%	77.9%
ISLAMIC INTERNATIONAL ARAB BANK	16.9%	155.8%	13.4%	80.4%
JORDAN DUBIA ISLAMIC BANK	18.7%	148.6%	13.1%	79.2%
AL RAJHI BANK	19.6%	143.6%	11.8%	78.4%
EGYPTIAN ARAB BANK	18.6%	152.4%	12.4%	80.1%
ALRAFEDIAN BANK	16.5%	147.8%	12.1%	77.8%
CITI BANK	17.4%	148.2%	13.6%	78.9%
STANDERD CHARTERD	17.8%	148.2%	13.2%	80.5%
AOUDI BANK	19.8%	150.4%	12.7%	75.6%
NBK BANK	18.7%	151.1%	13.6%	71.3%
LEPHANON BANK	19.1%	145.6%	12.8%	74.2%
NBAD	17.8%	152.6%	13.6%	77.9%
AVAREGE	18.4%	149.1%	12.9%	77.0%
STDEV	0.011	0.040	0.006	0.029

These results were derived after calculating the above ratios from the 25 banks in Jordan. The importance of this research outcome is to assess why Jordanian banks were vulnerable during the financial crisis.

**Table 3:** Average basil ratios calculated on Jordanian banks for the period 2003-2004

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	6/2014
Capital Adequacy Ratio	67.6%	17.8%	17.6%	21.4%	20.8%	18.4%	19.6%	20.3%	19.3%	19.0%	18.4%	17.4%
Liquidity Ratio	179.6%	173.0%	168.0%	161.4%	157.5%	141.2%	159.1%	161.4%	152.9%	143.5%	149.1%	150.2%
Leverage Ratio	7.5%	8.9%	10.5%	13.2%	13.3%	12.9%	13.0%	13.1%	13.1%	13.3%	12.9%	12.5%
Coverage Ratio	51.9%	63.8%	78.4%	80.0%	67.8%	63.4%	52.0%	52.4%	52.3%	69.4%	77.0%	76.4%

The information shown in (Table 3) consists of the average figures derived from (table 2).the averages were added up and dived by the number of banks under investigation, which for this research consisted of 25 banks. This information forms the basis of this research paper and the information will be presented in charts and tables. The information will be assessed based on the Basel III required ratio levels for all the years 2003-2004. The aim is to establish whether the banks operations were above or below the Basel III benchmark levels and this will also identify underlying trends during the financial crisis by the Jordanian banks.



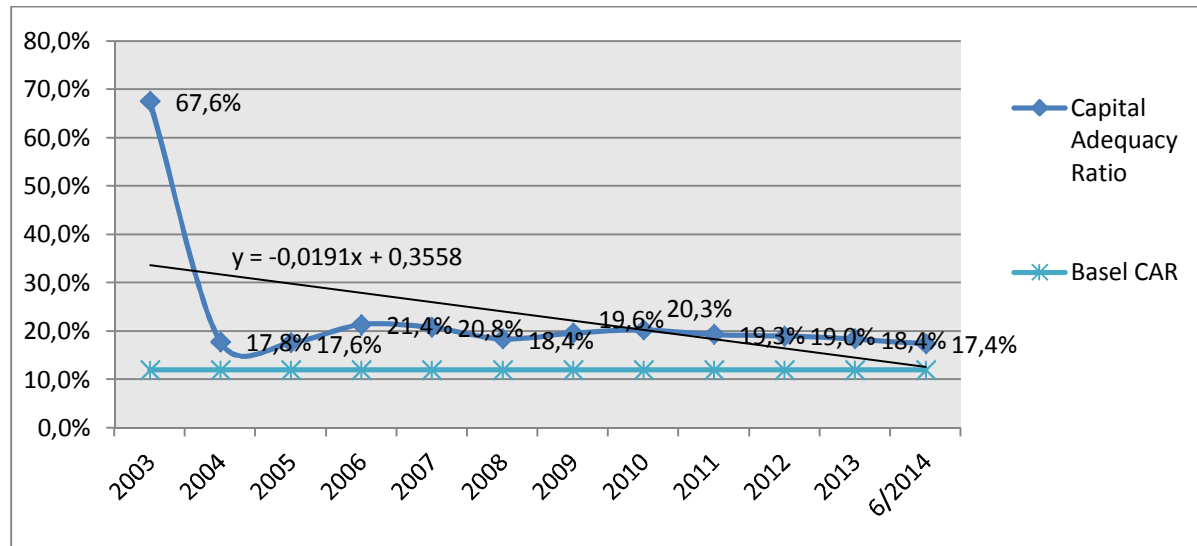
**Figure 1:** Chart derived from figure 1

This figure shows the trends from Jordanian banks, capital adequacy ratio, liquidity ratio, leverage ratio and coverage ratio for the years 2003-2014. The Basel CAR, Basel LR and Basel, CR consist of the benchmark levels required under Basel III

The chart in (fig. 1) was drawn from the information in (table 3) which shows the average figures from the 25 banks which were examined. The four ratios under examinations were compared against the standards. The analysis were undertaken using charts with the average bank ratios, the capital adequacy ratio, the liquidity, the leverage and finally the coverage ratio analysed using the Basel required ratios which are then presented in charts for easy interpretation and understanding.

*Results of the hypothesis*

*Hypothesis 1: Jordan Banks do not meet Basel financial Indicators for Capital Adequacy Ratio*



**Figure 2:** CAR for Jordanian bank against Basel CAR level

According to (fig.2) the results shown were calculated from the average figures from the year 2003-half year of 2014. Of importance is how Jordanian banks faced the financial crisis that affected a large number of banks. According to (fig.2) through all the years Jordanian banks capital adequacy ratio was above the Basel capital adequacy ratio which stands a 12%. This signifies that the banks have had strong capacity to absorb first from none performing loans or any shocks that are likely to arise through either internal or external factors, which are not controllable.

The lowest stocks were reached at the market of 17.4% in 2014 and the highest point was reached in 2003 when the results reached 67.6%. During the 2007-2008 financial crisis, the capital adequacy ratio fell from 21.4percentage in 2007 to 20.8 in 2007 and a further fall of 18.4% in 2008. The bank however had enough capital to counter any effects from the financial crisis.

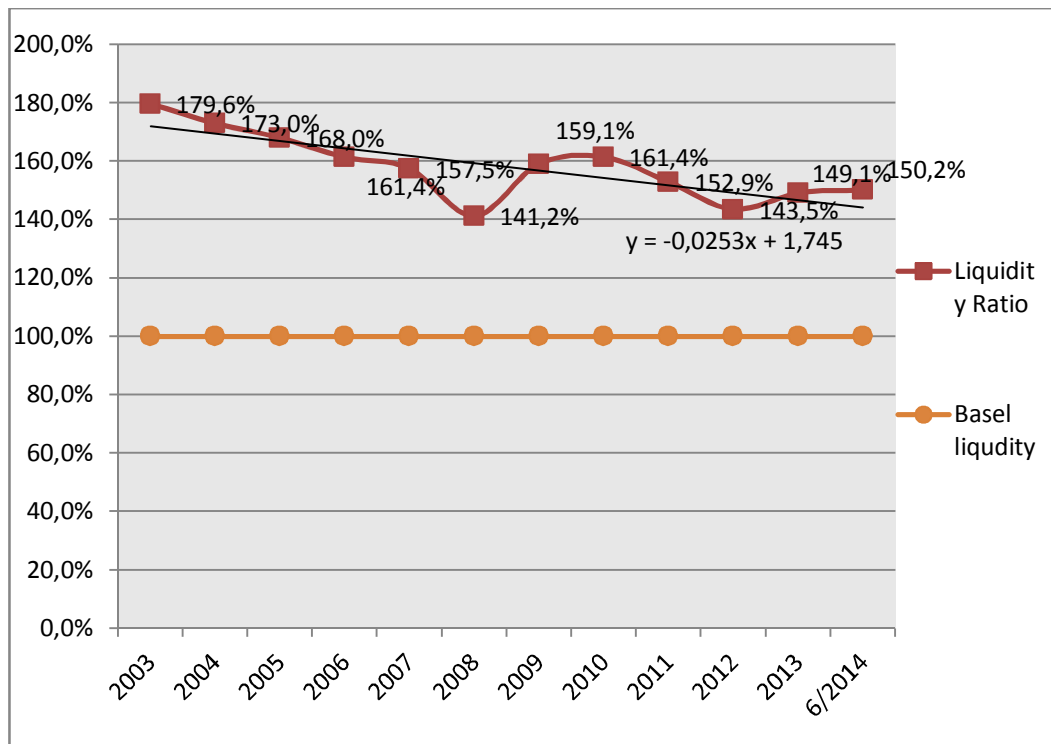
However, according to the (fig.2), the trend line started going down around 2006-2007 after an upturn the years before. The reason for the downward trend as seen in the (fig.2) is as a result of the 2007/2008 financial crisis. The capital adequacy ratio never went below the figure set by Basel though in the year 2013 the banks show a downward trend. The superimposed trend line reveals that in the coming years Jordanian banks are more likely to have ratio that is lower than the required Basel rate of 12%.

The Hypothesis 1: Jordan Banks do not meet Basel financial Indicators for Capital Adequacy Ratio. The hypothesis is rejected in this case since the trend line for the combined 25 Jordanian banks never went below 12%. Then we accepted the alternative hypothesis which means that the Jordan Banks meet the Basel financial Indicators for Capital Adequacy Ratio.

However the trend line reveals a fast falling capital adequacy ratio and if the banks are not careful, the level is most likely to fall below the standard Basel rate.



*Hypothesis 2: Jordan Banks does not meet Basel financial Indicators for Liquidity Ratio*



**Figure 3:** Liquidity ratio for Jordanian bank against Basel liquidity requirement ratio level

According to (fig.3) the trends show the liquidity ratio was above the liquidity ratio set out in the Basel requirements. The closest the trend line for the liquidity ratio for Jordanian banks came close to reaching the Basel liquidity benchmark of 100% was in the years 2007-2009. This is a signifiers of the financial crisis did in fact impact on the Jordanian banks though not as significant to reach the Basel benchmark of 100%. The trend however in 2012-2013 went down thought not significant again to reach the Basel liquidity ratio mark.

This signified that Jordanian banks had enough highly liquid assets held and hence able to withstand any short term obligatory duties. Thought the liquidity ratio has been used as a regulatory regulation from 2011, it is not until 2015 that it will be enforceable.

The results from (fig.3) showed that the capital adequacy ratio was affected during the financial crisis where the ratio fell to a low of 142.2%, which is the lowest point, reached in the 12 years under examination. By having a large amount of capital, this allowed the Jordanian banks to wither the financial crisis.

The Hypothesis 2: Jordan Banks does not meet Basel financial Indicators for Liquidity Ratio is accepted based on the outcome of (fig.3) is rejected since the Jordanian banks have been able to have a level above Basel required rate. The trend line shows a falling ratio which could become a problem in the years to come. Then we accepted the alternative hypothesis which means that the Jordan Banks meet the Basel financial Indicators for Liquidity Ratio.

*Hypothesis 3: Jordan Banks do not meet Basel financial Indicators for Leverage Ratio*

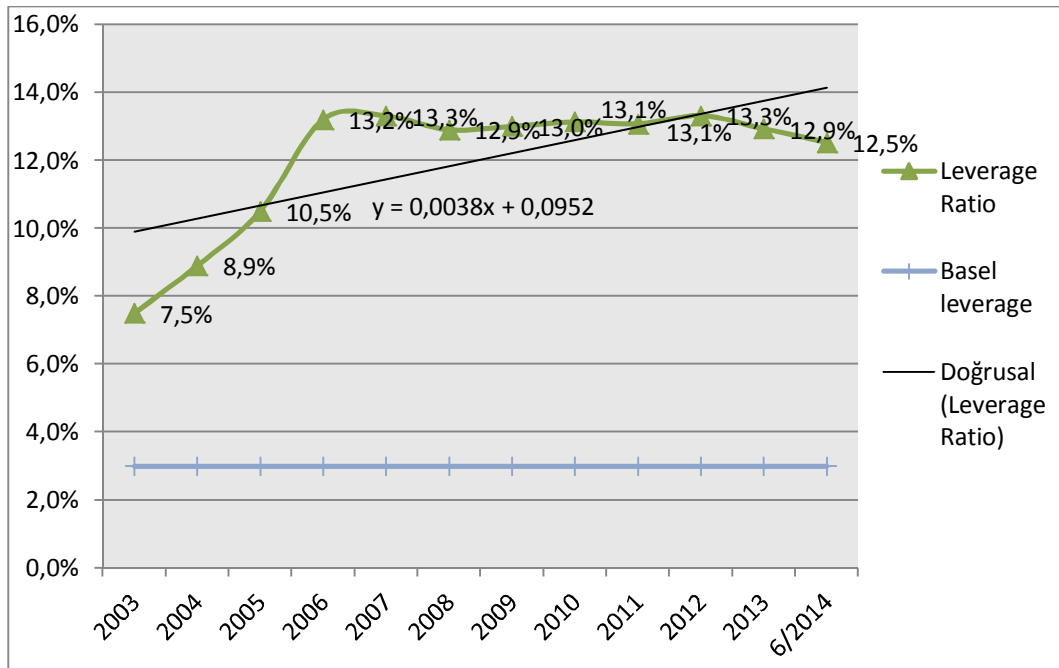


Figure 4 Leverage ratios for Jordanian bank against Basel leverage requirement ratio level

According to (fig.4) the results from the analysis revealed that Jordanian banks had leverage ratio well above the Basel requirement of 3%, the lowest figure reached was in 2003 when the level reached 7.5% and the highest figure was in 2007 when the figure reached 13.3% which was the peak of the financial crisis. The trend line reveals an upward facing slope line, which is significance of increased banks financial stability in the market. The financial crisis in this case, had minimum effects the bank’s leverage ratio and the amounts above the Basel figure were well above 6% most of the time.

The Hypothesis 3: Jordan Banks do not meet Basel financial Indicators for Leverage Ratio is rejected based on the outcome from the results in (fi.4) and this reveals a great strength to Jordanian banks. Then we accepted the alternative hypothesis which means that the Jordan Banks meet the Basel financial Indicators for Leverage Ratio.

Hypothesis 4: Jordan Banks do not meet Basel financial Indicators for Coverage Ratio

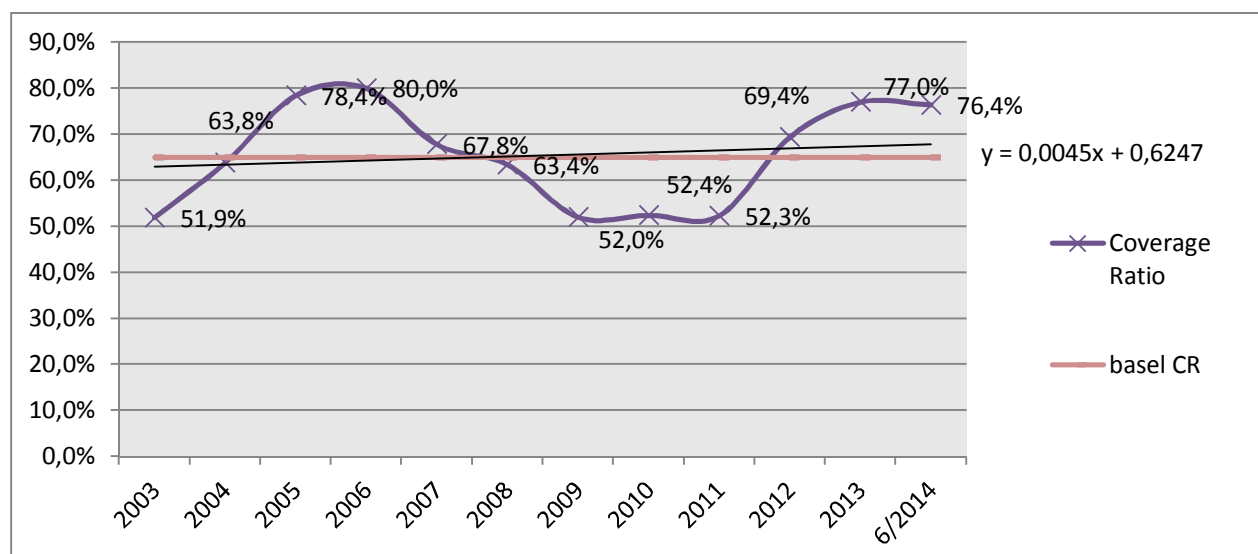


Figure 5: Total Provisions (As % Of Non-Performing Loans) percentage ratio for Jordanian bank against Basel coverage Total Provisions (As % Of Non-Performing Loans) percentage ratio

According to (fig.5) the results revealed that Jordanian banks were affected by the financial crisis when it come to the Total Provisions (As % Of Non-Performing Loans) percentage ratio. The trend the ratio was at its lowest in 2010 when the ratio reached 52% and at its highest when the ratio reached 80% in 2006. As the financial crisis began to take root in most countries financial institutions the ratio started to drop from mid-2006 and reaching below the benchmark level in 2008 when the rate reached 63.4%. In 2013, the ratio increased, signifying either an increase in the provisions or the reduced non-performing loans outcomes in the most Jordanian banks.in 2014 the rate reached 76.4% which was well above the Basel benchmark rate. Though the superimposed trend line reveals a stable pattern which is raising, this results show the level of exposure Jordanian banks are when it comes to weathering a financial crisis.

The Hypothesis 4: Jordan Banks do not meet Basel financial Indicators for Total Provisions (As % Of Non-Performing Loans) percentage ratio the hypothesis is accepted since in 2003, 2008-2011 the ratio was below the Basel III benchmark rate. This is a strong signifier that Jordanian banks were influenced by the financial crisis.

*Summary of results*

**Table 4:** Summary of the results from the analysis

<b>Hypothesis</b>	<b>Details</b>	<b>Accept/Reject</b>
1	Jordan Banks do not meet Basel financial Indicators for Capital Adequacy Ratio	Reject
2	Jordan Banks does not meet Basel financial Indicators for Liquidity Ratio	Reject
3	Jordan Banks do not meet Basel financial Indicators for Leverage Ratio	Reject
4	Jordan Banks do not meet Basel financial Indicators for Total Provisions (As % Of Non-Performing Loans) ratio	Accept

Out of the results from (table 4) from hypothesis, 1-3 were rejected since the actual outcome never went below the Basel indicated benchmark ratio level. The results point to Jordanian banks having strong financial systems and this is what aided the banks when most of other banks especially those in the western countries.

## Conclusions

The financial crisis was blamed on numerous failures, which arose because of unregulated financial sector. Professional blame aspect such as banks having enhanced levels of on or off balance sheet leverage ratios in their financial books. Generally, banks tend to keep a large percentage of leverage which is undertaken with a sustained enhanced capital ratio exposed to risk. According to the results of this research paper, out of the four hypotheses under investigation, Jordan Banks do not meet Basel financial Indicators for Capital Adequacy Ratio , Jordan Banks does not meet Basel financial Indicators for Liquidity Ratio , Jordan Banks do not meet Basel financial Indicators for Leverage Ratio and Jordan Banks do not meet Basel financial Indicators for Total Provisions (As % Of Non-Performing Loans) ratio, only one hypothesis was acceptable. Jordan Banks do not meet Basel financial Indicators for Total Provisions (As % Of Non-Performing Loans) ratio was accepted since the results showed that the banks had failed to keep their Total Provisions (As % Of Non-Performing Loans) ratio to be more than the Basel indicated level of 65%.

## Limitations/Recommendations

25banks was a significant number to determine the actual the financial stability of the banks and especially during the financial crisis. It is vital thus to include the courses of having a much better ratio than the Basel required ratio. Banks which were determine as risky undertook this path with the ambition to deriving greater profits hence, if a business ratio is well above Basel rate, they must be sidelining other vital areas which can generate additional revenue. The bank's profitability should be assessing to determine how well the banks are faring when compared with other bank in

other regions. Apart of measuring the banks, research should also be undertaken to reveal how other business underwent the financial crisis in order to determine whether other factors affected the banks. Research should be undertaken to reveal whether the adoption of Islamic banking hinder the exposure to the financial crisis by Jordanian banks and if so, determine how.

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