GROWTH STRATEGY AND BANK PROFITABILITY: CASE OF HOUSING BANK FOR TRADE & FINANCE

Mustafa M. Soumadi, PhD

Bassam Fathi Aldaibat, PhD

Al-Balqa Applied University, Jordan

Abstract

The present study aimed to estimate growth strategy for (HBTF) in Jordan measured by total assets percentage growth and profit percentage growth ,this study also correlate growth strategy with the accounting-based determinants of bank profitability measured by return on assets (ROA) , and return on equity(ROE) during the period (2000-2009). The researcher collected bank-specific Data variables from the financial statements of housing bank for trade and finance in Jordan over the period 1999-2009 available in the annual reports and Amman financial market. The researcher used the Descriptive Analytical Method, the researcher used Analytical method to analyze the data from the financial statements throughout the statistical package for social sciences (SPSS-15). The present study revealed the following findings:

1- There is statistical significant correlation at of significance ($p \leq 0.05$) between ROE and growth percent in profit during 2000-2009.

2-There is statistical significant correlation at of significance ($p \leq 0.05$) between ROE and growth percent in total Assets during 2000-2009.

3-There is statistical significant correlation at of significance ($p \leq 0.05$) between ROA and growth percent in assets during 2000-2009..

4-There is no statistical significant correlation at of significance ($p \leq 0.05$) between ROA and growth percent in profit during 2000-2009.

Keywords: Growth strategy, Profitability, ROE ,ROA

1- Introduction

Jordanian Banking sector is playing a major role in the national development process. This role is increasing day by day. Since the establishment of Jordanian central bank at 1964, the banking sector in Jordan has growed incrementally. This development doesn't include the increasing number of banks but also the establishment of specialized banks and the desertification of the banking work methods and kinds of services that banks provided to customers.(Alfumi & Awad, 2003). The banking sector is the backbone of the Jordanian economy and plays an important financial intermediary role. Therefore, its health is very critical to the health of the general economy at large. Given the relation between the well-being of the banking sector and the growth of the economy, knowledge of the underlying factors that influence the financial sector's profitability is therefore essential not only for the managers of the banks, but also for numerous stakeholders such as the central banks, bankers associations, governments, and other financial authorities. Knowledge of these factors would be useful in helping the regulatory authorities and bank managers formulate future policies aimed at improving the profitability of the Jordanian-banking sector. Banking sector plays an important role in an economy to improve stability and increase economic growth. Banks play a central role in the money creation process and in the payment system. Moreover, bank credit is an important factor in the financing of investment and growth (Fayoumi& Abuzayed ,2009).The environments in which banks operate today are divergent. The Jordanian banking sector has been facing unprecedented challenges with the wave of privatization and globalization of Jordanian economy. Banks in Jordan are under intense pressure to perform in today’s volatile market place. And because of the main goal of management, to maximize the Owner's wealth, managers especially in the banking sector are working under pressure from shareholders, international financial crisis, and the central Bank regulations to improve profitability (Zamil & others, 2010).

Economies of scale emerge as a financial firm grows in size (usually measured by its total assets).The cost of production per unit of output tends to fall as a smaller firms grows into a larger one due to greater efficiency and the spreading of a greater volume of output over firm's fixed costs. (Lawton& Harrington, 2006);(Paula 2002);(Uppal &Kaur 2006). The Housing Bank for Trade and Finance (HBTF) was established in 1973 as a public shareholding limited company with a capital amounting to half a million JD. The primary focus of the bank was to provide housing finance. After 24 years of operations, the bank embarked on a new era, when it diversified its scope and became a comprehensive bank, providing full commercial banking services with total assets (6679.7) million J.D. in 2010.

(HBTF Annual Report, 2010).The purpose of this study is to estimate growth strategy for (HBTF) in Jordan measured by total assets percentage growth and profit percentage growth ,this study also correlate growth strategy with the accounting-based determinants of bank profitability measured by return on assets (ROA) , and return on equity(ROE) during the period (2000-2009).

2 - Literature review

The performance of financial firms refers to the ability of meeting the needs of stockholder and stakeholder. The success or failure of these institutions usually revealed by a careful study of their financial statements. The most important dimensions of performance are profitability and risk .banks are businesses organized to maximize the value of the shareholders' wealth invested in the firm at an acceptable level of risk. Such an objective requires looking for new opportunities for revenue growth ,greater efficiency, and more effective planning and control (Rose & Hudgins, 2008).

2.1-Profitability Determinants Of Commercial Banks

The determinants of commercial bank Profitability can be divided into two main categories namely the internal determinants which are management controllable and the external determinants which are beyond the control of the management of these institutions. (Guru , Staunton, & Balashanmugam, 2002).

2.1.1- internal determinants of profitability

Internal determinants are factors that are mainly influenced by a bank's management decisions and policy objectives. Such as the level of liquidity, variation in loans loss provisions, capital adequacy, expense management, change in capital and asset risk, operational efficiency, and market interest rates. Internal determinants include financial statement variables and profit and loss account. The balance sheet management is directly related to asset and liabilities management. Asset management is concerned with the asset portfolio decisions which attempt to maximize returns at an adequate level of liquidity. Furthermore, profit and loss statement management is directly related to income and expense management or returns and cost management. The main emphasis would be confined to areas such as managing interest rate sensitivity and margin, and allocation of expenses. (Sufian & Chong, 2008).

Level of liquidity is one internal determinant of profitability, Liquidity is measured by the ratio of loans to total assets, which indicates the percentage of bank assets that are tied up in loans. To avoid insolvency problems, banks often hold liquid assets that can be easily converted into cash. Hence, the higher the liquid ratio, the less liquid a bank is, however, liquid assets are usually associated with lower rates of return and therefore higher liquidity would be associated with lower profitability (Bourke , 1989).

Profit and loss statement management is directly related to income and expense management as well as to returns and cost management. The main emphasis would be confined to areas such as managing interest rate sensitivity and margin, and allocation of expenses, Reducing expenses improves the efficiency and hence raise the profitability of a financial institution, implying a negative relationship between the operating expenses ratio and profitability (Bourke,1989). Also , (Guru , Staunton, & Balashanmugam, 2002).revealed that efficient expenses management was one of the most significant in explaining high bank profitability. (Molyneux & Thornton , 1992) reported that higher salaries and benefits per employee was consistently associated with higher net charge offs to total assets. They suggested that banks with higher salaries and benefits would require higher net interest margins to maintain profitability. If banks are unable to arbitrarily reduce interest expense then it must raise the interest earned on loans by incorporating riskier loans in its loan portfolio. This may increase net charge offs and hence worsen the profitability prospects. This again would support the assumption of an inverse relationship between staff expenses and profitability of commercial banks.

Market Interest rates affect commercial bank profitability. (Flannery , 1981) carried out an empirical study of the Impact of market Interest Rates on profitability. The wide spread notion that commercial banks "borrow short and lend long" implies that sharp market interest rate increases may induce a significant number of banking failures. (Guru , Staunton, & Balashanmugam, 2002) revealed that high interest ratio was associated with low bank profitability and inflation was found to have a positive effect on bank performance.

Changes in capital and asset risk are related to commercial bank profitability. (Bourke1989), had reported that capital ratios are positively related to profitability. Bourke explained this by assuming that well capitalized banks may enjoy access to cheaper and less risky sources of funds and better quality asset markets. Alternatively the prudence implied by high capital ratios may also be maintained in their asset portfolio decisions with consequent improvement in loan loss provision and hence profitability.

2.1.2 - External determinants of bank profitability

In addition to the internal factors the performance of banks is subject to the nation's economy, the financial market structure, and the legal and political environment in which they operate so ,the external determinants of commercial bank profitability are those factors which are external to the commercial banks and hence outside the control of management. There are several specific factors suggested as impacting on profitability .

Market concentration is one important factor affect profitability, the term concentration emerged from the structure-conduct-performance theory (SCP theory) which postulates that market concentration fosters collusion among firms in the market and earn monopoly profits. Concentration in the banking market, calculated by dividing the total assets of the five largest banks in the market with the total assets of all banks operating in the market. According to the structure-conduct-performance (SCP) hypothesis, banks in highly concentrated markets tend to collude and thus earn monopoly profits (Alfumi&Awad,2003). On the one hand, concentration may act as a barrier to entry when entering markets where domestic banks are highly concentrated, implying a negative impact on profits. On the other hand, in a market dominated by foreign banks that have been found to be more efficient than domestic banks, such as in less developed countries, concentration may in fact be positively related to foreign banks' profitability. (Kosmidou, Pasiouras, & Tsaklanganos, 2007).

Market share is considered as one of the determinants of profitability since the bigger the market, the larger the firm's potential for profits. Bigger market share also means more power to the bank in controlling the prices and services it offers to customers the bank's market share expressed as a ratio of its deposits relative to the total deposits of the banking market in which it operates. An alternative to the SCP hypothesis is the Efficient-Structure hypothesis (EFS), which suggests that higher efficiency results with dominant market share, implying a positive association between market concentration and bank profitability. market share influenced profitability and growth in the market created more opportunities for the bank, thus generating more profits.(Smirlock ,1985).(Athanasoglou,Delis&Staikouras ,2008) indicated that as a result banks gain market share and an increase in earnings and an increase in profitability. Since large banks are assumed to enjoy economies of scale, they are able to produce their outputs or services more cheaply and efficiently than smaller banks. As a result, larger banks will earn higher rates of profit if entry is restricted.

Competition playing major role in affecting bank profitability, Traditional economic theory suggests that new entrants will increase rivalry in the market. Although competition is considered as one on the determinant of bank profitability ideally, an evaluation of

competitive conditions and the degree of concentration in the banking industry should begin by rigorously defining the market under consideration, the relevant market consists of all suppliers of a particular banking service, including actual or potential competitors, and it has a product dimension and a geographical dimension. The product definition of a market is based on the equality of the products as regards their ability to fulfill specific consumer wants, the geographical boundaries of a market are determined by actual and potential contacts between actual and potential market participants. These boundaries depend on the products involved: for retail banking, the local dimension of a market is relevant while the regional or international dimension is relevant for corporate banking (Bikker& Haaf,2002).

Capital adequacy playing major role in affecting bank profitability, to achieve an efficient intermediation process, and finally to provide desired levels of specific banks products or services. To achieve these goals, regulations are imposed on both bank management and the banking system. Direct regulations on bank management basically cover the lending policy, deposit policy, interest rates, and liquidity requirements. Regulations on the banking system as a whole include regulation on the condition of entry, establishment of new branches, ventures, mergers and acquisitions. Financial regulators require commercial banks to sustain a minimum capital adequacy ratio to ensure that banks hold a sufficient amount of equity to absorb any shocks they might experience. Under the 1988 Accord of the Basel Committee on Banking Supervision, the minimum capital requirements specified as a percentage of the risk-weighted assets of the bank, measured by either Tier 1 or total capital ratio.5 Under the New Accord (known as Basel II), the definition of capital and the minimum capital requirement of (8%) remain unchanged although the current risk categories of credit risk and market risk are supplemented by a third risk category – operational risk – which in future will have to be explicitly backed by capital. ((Kosmidou, Pasiouras, &Tsaklanganos, 2007).

Macro economic conditions like the gross domestic product, (GDP) is among the most commonly used macroeconomic indicators for measuring an economy's total economic activity. The GDP is expected to influence numerous factors related to the supply and demand for loans and deposits. As GDP growth slows down particularly during recessions, credit quality deteriorates, and defaults increase, thus reducing bank returns. The coefficient
of the variable is expected to be positive. Another important macroeconomic condition possibly affecting both the costs and revenues of banks is the inflation rate .

2.2. Growth Strategy in banks

The most widely pursued corporate directional strategies are those designed to achieve growth in sales ,assets and profits .companies that do business in expanding industries must grow to survive. Continuing growth means increasing sales and a chance to take advantage of the experience curve to reduce the cost of product sold (Wheelen & Hunger , 2010). The motives behind the rapid growth of bank financial services are the stakeholders involved expect to increase their wealth (value per share of stock), and management expects to gain higher salaries and employee benefits.(Rose & Hudgins, 2008).

The size of a bank is considered one of the main growth strategies based on the assumption that management of the bank is responsible for expanding their organization by acquiring additional assets and liabilities. the size of a bank is also associated with the concept of economies of scale. The studies of (Redmond & Bohnsack 2007); (Boyd & runkle 1993) ; Lawton & Harrington, 2006); and Paula ,2002),examined the effect of economies of scale and bank size on profitability . (Boyd& Runkle , 1993) showed that size of a bank is also associated with the concept of economies of scale. Economic theory suggests that if an industry is subject to economies of scale, larger institutions would be more efficient and could provide service at a lower cost. (Lawton & Harrington, 2006) examines how a bank from a small domestic market base diversified its revenue streams through international investment and acquisition but ultimately overstretched its resources and capabilities.(Paula ,2002)discusses whether there is some evidence in recent literature that banks do obtain economies of scale and scope when they expand their activities, mainly by mergers and acquisitions (M&As). The researcher concluded that expanded product array and potential for cross selling result from larger size and depth of product offering.

(Emery ,1991) studied the relationship between the status of the branch categories namely unit branch, limited branch and state-wide branch. Using analysis of variance, Emery found that there was a significant difference in terms of returns among these three categories of branches. (Scholterns , 2000) included location as one of the profitability determinants in his study and found that branch location had a significant relationship with profitability. He found that banks which operate in states in which branching was permitted were more profitable than those which operate in other environment.

The study of (Mendes & Reblo, 2009) assess a bank branch's operating and profit efficiency. The study also explore the impact of IT-based retail banking services on branch efficiency, and found that IT-based transactions at the branch level have a significant impact on profit efficiency, and therefore have a significant role to play in profit maximization.

Improving bank branch technology to best support service delivery is also a practical way to achieve greater efficiency, which in turn, contributes to a commercial bank's overall profitability.

From the previous display the researcher infer that the determinant of commercial bank are diverse and miscellaneous ,some of these factors are relating to bank specific factors , other for industry specific factor and macroeconomic factors , therefore there is no comprehensive study that correlate all factors , all the previous studies take specific factors and correlate it to profit.

2.2. -The Housing Bank for Trade & Finance case

The housing bank for trade have the largest branch network in Jordan, which includes (110) branches spread in different areas in the kingdom, and 13 branches outside Jordan, in Palestine ,Bahrain , Algeria, Syria, Abu Dhabi ,Libya and Iraq. The (HBTF) has specialized investment companies like Jordan & Palestine financial investment C.O , International Financial center group , Jordan real – estate investment & commercial services and Specialized leasing finance CO. (HBTF annual report.(2010). Since the establishment of (HBTF) in 1973 the bank has grown and achieve strength in Jordanian banking industry and became the second large bank in Jordan. The Bank has been capable to obtain the highest levels of “General Conformance Certificate” with International Internal Audit Standards issued by the American Institute of Internal Auditors “ IIA ”. (HBTF) used different strategies such as : Offering a wide range of banking and financial products, Focusing on customization of products that meet the specific needs of customers, complied with international capital adequacy requirements and prudential norms, and operate Wide distribution of banks’ branches .The researcher think that the bank have some opportunities could be utilized such as : expansion of the banks’ retail services, Expand banks' operations to cover countries in the region, mergers with or acquisitions of other banks, and discovering the advantages of economies of scale and scope .

Among the common threats that facing the bank are :- focused on the local market, which means that the bank should expand their operations outside Jordan., Increasing volatility in local and regional markets., Fluctuations in economic variables including decreased purchasing power and higher inflation rates. And the Central Bank of Jordan (CBJ) has encouraged consolidation in the Banking industry, although so far there have been few signs that banks are keen to consolidate, partly reflecting a culture of family ownership in Jordan.

The researcher think that the bank facing some weaknesses such as : A large number of local banks in small economy, The banking sector remains dominated by the Arab Bank, The Bank share of the banking deposits, is(16.7%), The Bank share of the credit market is(12.7%) .and the bank also has (15.1%) market share of total assets.(Assocaition of Banks in Jordan, Annual Report 2009).

2.2.1 -The Housing Bank for Trade & Finance growth strategy

Growth strategy means expand the company activities ,its the most widely pursued strategy to achieve growth in sales ,assets ,profit .growth is a popular strategy to survive ,corporation can grow internally or globally by expanding its operations.(Wheelen &Hunger,2010). On the level of local expansion, and in line with the Bank's vision aiming at closer reach of its customers to meet their banking needs in Jordan, The Housing Bank's biggest branch network has continued growing further to reach 110 branches, at the rate of 16% of the total branches operating in Jordan. In the field of regional expansion the bank increase the branches in Syria , and more recently the bank expanding to European countries through acquisition of 68 % from the capital of Jordan international bank in London. As for E-banking services, the Bank continued to provide its services all through the day 24/7, in an easy and secure method, through electronic distribution channels such as internet, virtual banks, phone banking, ATM's and Iskan on Line. Housing bank services enable customers to manage their accounts through money transfer, cash withdrawal, deposits and payments of bills and SMS services. The bank still have the largest network ATM's network machines reaching 187 ATM's (HBTF annual report, 2010).

The Housing Bank has reinforced its leading position among Jordanian banking institutions in the field of credit cards, as number of Visa Cards reached 45 thousands at the end of 2010; Visa Electron cards witnessed remarkable increase reaching about 640 thousand. Despite the severe competition in this field, the Bank's share of various types of Visa Cards in Jordan reached about 29% reflecting the Bank's activity in providing different types of credit cards, issued by the Bank are designed to meet the different needs of targeted segments, meeting the highest criteria in security and safety.

3. Conceptual models

(Sairi ,2010) investigates the effect of bank specific characteristics and macroeconomics determinants on bank profitability estimated in two financial ratios (ROE.NIM) . The study results showed that the most significant internal and external factors

affecting Saudi banks are :capital adequacy ,earning assets to deposits ratio ,operational efficiency, growth rate in GDP, and banking sector development.

(Sufain & Habibullah , 2009) suggests that bank specific characteristics, in particular loans intensity, credit risk, and cost have positive and significant impacts on bank performance, while non-interest income exhibits negative relationship with bank profitability. During the period under study the results suggest that the impact of size is not uniform across the various measures employed. The empirical findings suggest that size has a negative impact on return on average equity (ROAE), while the opposite is true for return on average assets (ROAA) and net interest margins (NIM).

(Athanasoglou., Delis , & Staikouras 2008). indicated that as a result banks gain market share and an increase in earnings and an increase in profitability. Since large banks are assumed to enjoy economies of scale, they are able to produce their outputs or services more cheaply and efficiently than smaller banks. As a result, larger banks will earn higher rates of profit if entry is restricted.

(Redmond & Bohnsack , 2007) examines the profitability of banks within different asset size categories. Data is used to categorize banks into five categories, in respect to their volume of total assets. Profitability in this study is measured by Return on Equity (ROE). Two analyses are implemented. First, tests are run on the mean ROE of the respective bank categories, to determine if there is a statistical difference in profitability. Next, a simple regression model is constructed, using dummy variables to proxy asset size. The hypothesis contends that there is a statistical difference in the profitability of these different sized banks.

(Demirgüç&Huizinga,1999) also measured profitability using return on equity (ROE)and return on assets (ROA), they examined the internal and external determinants of profitability for banks in 80 countries over the period 1988–1995. The explanatory variables in their study included various internal or bank-specific ratios such as staff expenses to total assets, cash and securities to total assets, and bank capital to total asset; macroeconomic variables such as money supply growth, inflation, and interest rates; and industry variables such as concentration, ownership structure (government or private).

(Bennaceur & Goaied, 2008) used two measures of performance are in their study: the net interest margin (NIM), and the return of assets (ROA). they examined the influence of bank regulations, concentration, financial and institutional development on Middle East and North Africa (MENA) countries commercial banks margin and profitability during the period 1989-2005. They find that bank specific characteristics, in particular bank capitalization and credit risk, have positive and significant impact on banks' net interest margin, cost efficiency,

and profitability. On the other hand, macroeconomic and financial development indicators have no significant impact on bank performance.

(Olson & Zoubi, 2011) used (ROA) and (ROE) as dependent variables to measure bank performance and bank internal characteristics (size, loans, security, deposit),bank efficiency measures ,bank risk measures ,and external factors that are relating environmental factors (GDP, inflation , concentration, ownership) as independent variables at their study in ten Middle East and North Africa (MENA) countries. they compare accounting-based and economic-based measures of efficiency and. The results suggest that researchers perhaps should focus more on profit efficiency than cost efficiency. MENA banks are slightly less cost efficient than European banks, but similar to banks in developing economies. However, MENA banks score well in terms of profit efficiency relative to banks world-wide.

(Alfumi & Awad, 2003) examines the relationship between market concentration And performance in the Jordanian banking sector . while the market concentration is measured by concentration ratio , the bank performance is measured by return on equity (ROE). The results showed a significant relationship between ROE and concentration ratio, and the bank size was the most other important factor that affected the Jordanian banks profitability during the study period.

(Sufian & Habibullah , 2009)used (ROA),(ROE) and (NIM) as dependent variables for profitability , also they use bank specific characteristics(loans ,assets , net interest over total assets ,net interest expense over) and macroeconomic condition(inflation , GDP) as independent variables . they evaluate the performance of 37 Bangladeshi commercial banks between 1997 and 2004. The empirical findings of this study suggest that bank specific characteristics, in particular loans intensity, credit risk, and cost have positive and significant impacts on bank performance, while non-interest income exhibits negative relationship with bank profitability. During the period under study the results suggest that the impact of size is not uniform across the various measures employed. The empirical findings suggest that size has a negative impact on return on average equity (ROAE), while the opposite is true for return on average assets (ROAA) and net interest margins (NIM). As for the impact of macroeconomic indicators, the researchers conclude that the variables have no significant impact on bank profitability, except for inflation which has a negative relationship with Bangladeshi banks profitability.

(Sufian & Chong, 2008). used (ROA) as dependent variables to measure profitability, also they use internal bank factors(total assets ,credit risk , diversification and business mix, efficiency of the management regarding expenses, bank's capital strength) and external factors

(gross domestic products, The growth of money supply, The ratio of stock market capitalizations) as independent variables . they examine the determinants of Philippines banks profitability during the period 1990–2005.

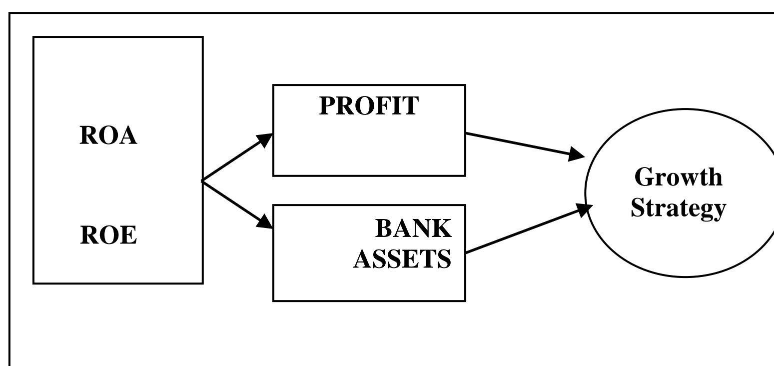
(Athanasoglou, Delis ,& Staikouras ,2008) used (ROA) and (ROE)as dependent variables to measure profitability , also they use bank –specific factors (capital ,credit risk , operating expenses management, productivity growth, size) , industry –specific factors (ownership, and concentration) and macroeconomic factors such as inflation expectation as independent variables . they examine the effect of bank-specific, industry-specific and macroeconomic
determinants of bank profitability to a panel of Greek banks that covers the period 1985–2001.

(Kosmidou, Pasiouras, &Tsaklanganos, 2007). used (ROA) as dependent variables to measure profitability, also they use more than independent variable such as :multinational bank factors (exports ,GDP growth , return on to average total assets of parent country , total assets value), and domestic bank factors (bank capital , liquidity, asset quality, efficiency of management expenses ,size ,concentration ,size of financial market , and market share) .they examine the determinants of profits of Greek banks operating abroad by developing an integrated model that includes a set of determinants informed by the literature on the profitability of both multinational and domestic banks. The basis for the econometric analysis is provided by an unbalanced panel dataset for 19 Greek bank subsidiaries operating in 11 nations, covering the period from 1995 to 2001.

3.2. Research model

After reviewing Literature review and previous studies the researcher develops scientific model to analyze the Profitability measures (ROE ,ROA) in (HBTF) bank . The independent variable of the study is the is the Profitability measures (ROE ,ROA) , and the dependent variable is growth strategy measured by percentage of (HBTF) assets growth ,and profit. The proposed model is represented in Fig. 1.

Study Analytical Model



The accounting ratios of profitability are used as independent variables .first, Return on total Assets (ROA) will be used to measure the managerial efficiency ;it indicates how capable management has been in converting assets into net earning. Second, Return on equity (ROE) is a measure of the return flowing to shareholders. Furthermore, growth strategy the dependent variable measured by total Asset growth (Growth Percentage) measured by(Total Asset current year - Total Asset base year/ Total Asset base year) and profit.

4. - Study Methodology

The researcher collected bank-specific Data variables from the financial statements of housing bank for trade and finance in Jordan over the period 1999-2009 available in the annual report and Amman financial market. The researcher used the "Descriptive Analytical Method, the researcher used Analytical method to analyze the data from the financial statements throughout the statistical package for social sciences (SPSS-15). Also, the hypotheses examined with the proper statistical tests.

4.1 -Study Hypothesis

1- The first main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROA and growth percent in profit during 2000-2009.

2- The second main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROA and growth percent in Assets during 2000-2009.

3- The third main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROE and growth percent in total Assets during 2000-2009.

4- The forth main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROE and growth percent in profit during 2000-2009.

5: - Data Presentation and Analysis

The following table describe main operation results during the years from (2000-2009).

Table 1.Main Operations (2000-2009)

YEAR	Deposits	Shareholder Equity	Net income	Direct credit facilities
2000	1,209,389,902	232,583,560	11,815,458	556,611,418
2001	1,239,299,639	256,455,475	22,005,143	584,751,392
2002	1,280,449,363	265,207,452	22,010,520	600,088,046
2003	1,526,548,293	279,076,499	22,574,849	628,819,522
2004	1,919,146,462	298,436,403	31,765,872	884,899,062
2005	2,370,459,052	373,762,994	74,051,778	1,262,618,624
2006	2,832,729,875	808,437,465	94,705,866	1,589,871,677
2007	3,500,562,100	850,478,735	111,463,294	1,930,250,617
2008	3,764,520,478	868,663,134	101,322,745	2,341,696,067
2009	4,430,410,552	891,068,492	66,562,510	2,368,648,748

Source : (HBTF Annual reports 1999-2009. & Amman financial market companies guide 1999-2009).

Gross Direct Credit facilities as at the end of 2009 amounted to JD 2.5 billion, recording an increase of JD 100 million, at growth rate of 4.2%, compared to the end of the last year The net balance of the direct credit facilities increased by JD 27 million, at the rate of 1.2% compared to the end of previous year, amounted to JD 2.4 billion at the end of 2009. This insignificant increase in the credit portfolio came as a result of the application of conservative credit policy, in the light of the current circumstances.

The Housing Bank has succeeded between 2000-2009 in attracting more customers' deposits. Excluding deposits of banks and financial institutions, the balance of customers' deposits totaled at JD 4.4 billion at the end of 2009, showing a rise of JD (666)million, at the rate of (17.7%), compared to the balance at the end of the last year. The Bank has provided a conspicuous evidence of its capability to increase the balance of deposits in the light of low

interest rates, which resulted from the Bank's reputable name, sound relations with customers, providing quality banking services and products, in addition to its position as a safe haven to customers' deposits at crisis times. The Bank's total shareholders' Equity amounted to (891) million JD in 2009, compared to (869) JD million at the end of 2008, showing an increase of (22) million JD, at the rate of (2.6%).

The Bank's net income increasing during the period 2000-2007 and reach a peak amounted to 111 million in 2007. The Bank's net profit after tax and provisions amounted to JD 66.6 million in the year 2009 compared to JD 101.3 million in the 2008. according to bank reports The international financial crisis, and instability in the global financial markets culminated in the variation of economic circumstances worldwide, have been negatively reflected on the Bank's facilities portfolio. The Housing Bank has dedicated additional provisions to face any possible losses in credit portfolio, as a precautionary measure to maintain the strength and stability of assets of the Bank.

Values of profitability measured by ROA, and ROE are shown in the following table.

Table 5-1 Values of profitability measured by (ROA, and ROE)

YEAR	ROA	ROE
2000	0.73	5.08
2001	1.29	8.58
2002	1.24	8.30
2003	1.11	8.09
2004	1.27	10.64
2005	2.32	19.21
2006	2.31	11.42
2007	2.22	12.67
2008	1.87	11.05
2009	1.09	6.72

Table (5.1) shows that the highest percentage of ROA (2.32) during 2005 and lowest percentage of ROA is (0.73) during 2000.Also the lowest percentage of ROE is (5.08) during 2000 and the highest percentage of ROA is (19.21) during 2005. Values of Assets growth percentage and Profit growth percentage are shown in the following table.

Table 5.2- Values of Assets growth percentage and Profit growth percentage

YEAR	Net income	Assets	Percent of Profit growth	Percent of Assets growth
2000	11,815,458	1,623,245,374	-0.48	0.04
2001	22,005,143	1,708,811,792	0.46	0.05
2002	22,010,520	1,773,011,222	0.00	0.03
2003	22,574,849	2,030,610,781	0.02	0.14
2004	31,765,872	2,494,931,963	0.28	0.22
2005	74,051,778	3,196,252,968	0.57	0.28
2006	94,705,866	4,096,450,307	0.21	0.28
2007	111,463,294	5,020,071,766	0.15	0.22
2008	101,322,745	5,430,579,044	-0.10	0.08
2009	66,562,510	6,090,337,737	-0.52	0.12

Table (5.2) shows that the highest percentage of total assets growth is (0.28) during (2005 and 2006)and the lowest percentage is (0.03) during 2002. Also the lowest percentage of profit growth is (-0.52) during 2009 and the highest percentage of profit growth is (0.57) during 2005.

Table 5.3- Descriptive Statistics

	N	Mean	Maximum	Minimum	Std. Deviation
Assets growth	10	0.14	0.28	0.03	.090
Profit growth	10	.050	.570	-0.52	0.09
ROA	10	1.54	2.32	0.73	.580
ROE	10	10.17	19.21	5.08	3.92
Valid N	10				

Table (5.3) shows that the mean for percentage of Assets growth is (14%) , also the mean for percentage of profit growth during 2000-2009 is (0.05) and ROA mean during 2000-2009 is (1.54). also ROE during 2000-2009 is (10.17) .

5-1- Study Hypothesis Testing

1- The first main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROA and growth percent in profit during 2000-2009.

To test the first hypothesis we will use the linear Regression between the dependent variable growth percentage measured by profit and the independent variable (ROA). , so we got the following tables (5.4), (5.5) and (5.6)

Table (5.4) Results of Relation and R.Square test for ROA and growth percentage in Profit

R	R Square	Adjusted R Square	Std. Error of the Estimate
.584(a)	.341	.259	.308

Table (5.5) Results of Regression test for ROA and growth percent in profit

	Sum of Squares	df	Mean Square	F	Sig
Regression	0.395	1	0.395	4.141	.076(a)
Residual	0.763	8	0.095		
Total	1.158	9			

a Predictors: (Constant), ROA

b Dependent Variable: profit growth

Table (5.6) Result of Coefficients for ROA and growth percent in profit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	-.498	.291		-1.713	.125
ROA	.360	.1095	.584	2.035	.076

a Dependent Variable: profit growth

The tables shows that the value of the coefficient relation was (R=0.584*). The (R Square) value was (0.341) that means the percent of (34.1%) from variance in growth in profit

because of ROA. Table (5.5) shows that the level of significant (Sig=0.076), and the value of (F=4.141), which means that we accept the null hypotheses that There is no statistical significant correlation at of significance ($p \leq 0.05$) between ROA and growth percent in profit during 2000-2009..

2- The second main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROA and growth percent in Assets during 2000-2009.

To test the first hypothesis we will use the linear Regression between the dependent variable growth percentage measured by assets and the independent variable (ROA). , so we got the following tables (5.7), (5.8) and (5.9)

Table (5.7) Results of Relation and R.Square test for ROA and Assets growth

R	R Square	Adjusted R Square	Std. Error of the Estimate
.734(a)	.539	.482	.070

Table (5.8) Results of Regression test for ROA and growth percent in assets

	Sum of Squares	df	Mean Square	F	Sig
Regression	0.046	1	0.046	9.363	.016(a)
Residual	0.040	8	0.005		
Total	0.086	9			

b Dependent Variable: Assets growth

Table (5.9) Result of Coefficients for ROA and growth percent in assets

	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	-.045	.066		-0.674	.519
ROA	.123	.040	.734	3.060	.016

a Dependent Variable: assets

The tables shows that the value of the coefficient relation was (R=0.734*). The (R Square) value was (0.539) that means the percent of (53.9%) from variance in growth in assets because of ROA. Table (5.8) shows that the level of significant (Sig=0.016), and the value of (F=9.363), which means that we accept the alternative hypotheses that There is statistical significant correlation at of significance ($p \leq 0.05$) between ROA and growth percent in assets during 2000-2009..

3- The third main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROE and growth percent in total Assets during 2000-2009.

To test the third hypothesis we will use the linear Regression between the dependent variable profit measured by growth percentage measured by total assets, and the independent variable (ROE) so we got the following tables (5.10), (5.11) and (5.12)

Table (5.10) Results of Relation and R.Square test for ROE and growth percent in total Assets

R	R Square	Adjusted R Square	Std. Error of the Estimate
.740(a)	.547	.490	.069

Table (5.11) Results of Regression test for ROE and growth percent in total Assets

	Sum of Squares	df	Mean Square	F	Sig
Regression	0.47	1	0.047	9.659	.01 (a)
Residual	0.39	8	0.005		
Total	0.86	9			

b Dependent Variable: total Assets

Table (5.12) Result of Coefficients for ROE and growth percent in total Assets

	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
(Constant	-0.41	0.064		-0.643	.53
ROE	0.018	0.006	0.740	3.108	.01

a Dependent Variable: total Assets growth

The tables shows that the value of the coefficient relation was (R=0.740*). The (R Square) value was (0.547) that means the percent of (54.7%) from variance in growth percent in total Assets because of ROE. Table (5.11) shows that the level of significant (Sig=0.014), and the value of (F=9.659), which means that we accept the alternative hypotheses that There is statistical significant correlation at of significance ($p \leq 0.05$) between ROE and growth percent in total Assets during 2000-2009.

4- The forth main hypothesis: - There is no statistical significant correlation at the level of significance ($p \leq 0.05$) between ROE and growth percent in profit during 2000-2009.
To test the forth hypothesis we will use the linear Regression between the dependent variable profit measured by growth percentage measured by profit, and the independent variable (ROE), so we got the following tables (5.13), (5.14) and (5.15).

Table (5.13) Results of Relation and R.Square test for ROE and growth percent in profit

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.733(a)	0.538	0.480	0.258

Table (5.14) Results of Regression test for ROE and growth percent in profit

	Sum of Squares	df	Mean Square	F	Sig
Regression	0.623	1	0.623	9.314	0.016(a)
Residual	0.535	8	0.067		
Total	1.158	9			

a Predictors: (Constant), profit growth

b Dependent Variable: ROE

Table (5.15) Result of Coefficients for ROE and growth percent in profit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	-0.623	0.238		-2.618	.031
profit	0.067	0.022	.733	3.052	.016

The tables shows that the value of the coefficient relation was (R=0.733*). The (R Square) value was (0.538) that means the percent of (53.8%) from variance in ROE because of growth in profit. Table (3.14) shows that the level of significant (Sig=0.01), and the value of (F=9.314), which means that we accept the alternative hypotheses that There is statistical significant correlation at of significance ($p \leq 0.05$) between growth percent in profit and ROE during 2000-2009.

6-Conclusion and Recommendations

1- There is statistical significant correlation at of significance ($p \leq 0.05$) between ROE and growth percent in profit during 2000-2009.

2-There is statistical significant correlation at of significance ($p \leq 0.05$) between ROE and growth percent in total Assets during 2000-2009.

3-There is statistical significant correlation at of significance ($p \leq 0.05$) between ROA and growth percent in assets during 2000-2009..

4-There is no statistical significant correlation at of significance ($p \leq 0.05$) between ROA and growth percent in profit during 2000-2009.

5- highest percentages for ROA ,ROE , total assets growth and total profit growth are in (2005) .

6- the financial global crisis affects bank profit in 2009 the percentage of decline comparing with 2008 is (0.52). Also the main for profit percentage is (0.05%).

This complementary study recommends that :-

1-The bankers must recognize that innovation or evolution of financial services is crucial to retaining customers Therefore, they should create new services and products beyond the classical services (e.g., expanding electronic services, reaching new regions outside Jordan, and improve the investment in off-balance sheet activities).

2- To support Jordanian enterprises that wish to expand abroad, Jordanian banks should develop an appetite for international business and should make room for their own expansion overseas. They can start looking for joint venture projects or full-subsidiaries outside Jordan.
3- Develop new strategies to deal with increasing volatility in local and regional markets. This can be achieved by concentrating on product and location diversification.
4- A number of Jordanian banks have an opportunity to enter the Islamic Banking that's been growing rapidly through the past few years. They can analyze and evaluate then new Islamic financial products. There is a good opportunity for Jordanian banks to coordinate with other foreign banks that are interested in these products. Recently, many foreign banks start thinking about these Islamic products because they expect to generate attractive return with reasonable level of risk.

References:

Alfumi,N.& Awad, Sh.(2003)." The relationship between market concentration and performance in the Jordanian sector", Mutah for Research and studies, Vol.18. No.4.pp.242-258. Retrieved April 7.2011.http :\\ searchlib . yu . edu .jo.

Al-Fayoumi,& Abuzayed,B.(2009)." Assessment of the Jordanian banking sector within the context of GATS agreement".Banks and Bank Systems, Volume 4, Issue 2, 2009. Retrieved April 15.2011.http :\\ searchlib . yu . edu .jo.

Amman financial market companies guide 1999-2009.

Association of Banks in Jordan, Annual Reports 2001-2009 .

Athanasoglou. P.P, Brissimis.S.,& Delis.M. (2008) ,"Bank-specific, industry-specific and macroeconomic determinants of bank profitability", International Financial Markets Institution and Money, 18 121–136. Retrieved May .10.2011. http :\\ www.elsevier.com.

Bennaceur, S. & M. Goaied. (2008) "The Determinants of Commercial Bank Interest Margin and Profitability: Evidence from Tunisia". Frontiers in Finance and Economics 5, no. 1,p.p: 106-30. Retrieved May .10.2011. http :\\ www.elsevier.com

Bikker.J. & Haaf .K(2002)."Competition, concentration and their relationship: An empirical analysis of the banking industry', Journal of Banking & Finance 26 .p.p:2191– Retrieved April 7.2011.from http :\\ web.ebscohost.com.

Boyd, J.H. and D.E. Runkle (1993). "Size and Performance of Banking Firms. Testing the Predictions of Theory," Journal of Monetary Economics 31, 47-67. Retrieved April 7.2011.from http :\\ web.ebscohost.com.

Bourke, P. (1989). “Concentration and Other Determinants of Bank Profitability in Europe, North America and Australia,” Journal of Banking and Finance 13,p.p: 65-79. Retrieved April 7.2011.from http :\\ web.ebscohost.com.

Demirgüç-Kunt, A., Huizinga, H., 1999. Determinants of commercial bank interest margins and profitability: some international evidence. The World Bank Economic Review 13, 379–408. Retrieved April 7.2011.from http :\\ web.ebscohost.com.

Flannery , mark J (1981), “Market Interest Rates and Commercial Bank Profitability”:
An Empirical Investigation, Journal of Finance, vol.36,No, 61085-1101. Retrieved April 7.2011.from http :\\ web.ebscohost.com.

Guru, B., Staunton. J., and Balashanmugam ,B.(2002). "Determinants of Commercial Bank Profitability in Malaysia". Working Paper, Multimedia University,. Retrieved May .10.2011. http :\\ www.elsevier.com.

Kosmidou.K, Pasiouras.F, Tsaklanganos.A,(2007),"Domestic and multinational determinants of foreign bank profits: The case of Greek banks operating abroad". International Financail Markets Institution and Money. 17 (2007) 1–15. Retrieved May .10.2011. http :\\ www.elsevier.com.

Lawton Th. & Harrington D. "Banking on Global Success: Internationalization Strategy and it Limitations (The Case of Allied Irish Banks). Thunderbird International Business Review, May/Jun2006, Vol. 48 Issue 3, p405-424. Retrieved April 10.2011. http://web.ebscohost.com/ehost/pdf viewer.

Mendes ,v & o Rebelo.j(1999)," productive efficiency, technological change and productivity in portuguese banking", applied financial economics, 1999, 9, 513–521 Retrieved April 10.2011. http :\\ web.ebscohost.com\ehost\pdfviewer.

Moulyneux, P. and J. Thornton (1992). “Determinants of European Bank Profitability:-
A Note,” Journal of Banking and Finance 16, 1173-1178. Retrieved April 10.2011. http :\\ web.ebscohost.com\ehost\pdf viewer.

Napapan M, Tang .C.& Khang.D,(2009)" IT-based banking services: Evaluating operating and profit efficiency at bank branches" Journal of High Technology Management Research 20 (2009) 145–152. Retrieved May .9.2011. http :\\ www.elsevier.com.

Olson .D & . Zoubi .T,(2011)."Efficiency and bank profitability in MENA countries", Emerging Markets Review 12 (2011) 94–110. Retrieved May .9.2011. http :\\ www.elsevier.com.

Pasiouras, F. and K. Kosmidou. (2007), "Factors Influencing the Profitability of Domestic and Foreign Commercial Banks in the European Union". Research in International Business and Finance 21, no. 2.p.p: 222-37. Retrieved May .9.2011. http :\\ www.elsevier.com.

Horizonte -Paula, L, (2002)," Expansion strategies of banks: does size matter?", nova Economia_Belo, 12, (2), p. p133-146. Retrieved April 10. 2011. http://web.ebscohost.com/ehost/pdfviewer.

Rose ,P. & Hudgines , S,(2008),"Bank management &Financial Services", Magraw-hill,seventh edition.

Scholterns , Bert .(2000)."Competition, growth, and performance in the banking industry", Applied finacail economics,feb ,pp.254-275. Retrieved April 10.2011. http://web.ebscohost.com/ehost/pdf viewer.

Smirlock, Michael. "Evidence on the Non Relationship between Concentration and Profitability in Banking," Journal of Money, Credit and Banking, vol. XVII, no. 1(February 1985). . Retrieved April 10.2011. _ http://web.ebscohost.com/ehost/pdfviewer.

Srairi ,S , (2010),"The Determinants of Saudi Commercial Banks Profitability ".Arab Management Journal ,Vol.30.No.16. Retrieved April 7.2011.http :\\ searchlib . yu . edu .jo .

Staikouras, C., Mamatzakis, E., & Koutsomanoli-Filippaki, A. (2008). An empirical investigation of operating performance in the new European banking landscape. Global Finance Journal 19(1), 32–45. Retrieved from :-http://web.ebscohost.com/ehost/pdfviewer/.on 29 march ,2011.

Sufian ,F & Chong ,R, (2008) ."Determinants Of Bank Profitability In A Developing Economy: Empirical Evidence From the Philippines", Journal of Business Economics and Management, ,Vol,10,no,(4),p.p: 91-112. Retrieved from :-http://web.ebscohost.com/ehost/pdfviewer/.on 29 march ,2011.

226-Sufian, F. (2009), "Factors Influencing Bank Profitability in a Developing Economy: Empirical Evidence from Malaysia". Global Business Review 10, no. 2. p.p: 225-241. Retrieved April 10.2011. http :\\ web.ebscohost.com\ehost\pdf viewer

Sufian ,F & Habibullah ,M, (2009) ." Determinants Of Bank Profitability In A Developing Economy: Empirical Evidence From Banglades", Journal of Business Economics and Management, 10, no, (3), p. p: 207-217. Retrieved April 10. 2011. http :\\web.ebscohost.com\ehost\pdf viewer.

The Housing Bank for trade and Finance, Annual Reports(1999- 2009)

Uppal. R and Kaur. R ,(2009)."Cost-Benefit Analysis of Commercial Banks in the Global Age: Strategies for Fund Management ".The IUP Journal of Bank Management, Vol. VIII, Nos. 3 . http://web.ebscohost.com/ehost/pdf viewer

Wheelen, Th & Hunger, D,(2010)"Strategic Management and Business Policy",pearson prentice hall ,12 edition.

Willie J. & Craig .L, (2007),"Bank Size And Profitability: One Nation, One Bank" International Journal Of Business Research, Volume Vii, Number 1, Retrieved. http :\\ web.ebscohost.com\ ehost\ pdf viewer.

Zamil A, Areiqat A ,& Al-Zeer N,(2010) :"Marketing Strategy for New Banking Services and Products and its Effects on the Stockholders Equity. Case Study: Arab Bank through Shabab Product". Interdisciplinary Journal Of Contemporary Research In Business July 2010. Vole 2, No 3. Retrieved. April 13.2011http://web.ebscohost.com/ehost/pdf viewer.