

# **The Effect of the Financial Performance Indicators on the Degree of Credit Risk in Jordanian Commercial Banks**

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## **Abstract**

The current study aimed to test the effect of financial performance indicators on the degree of credit risk in Jordanian commercial banks, where all (liquidity risk, pricing risk, collateral erosion risk, and risks associated with non-performing loans to total loans) were used as independent variables on the dependent variable, the degree of credit risk. The quantitative approach was relied upon, and the study population included all commercial banks listed on the Amman Financial Market during the period (2012 - 2021), numbering (13) banks. The study's results indicated that the risks associated with non-performing loans to total loans and pricing risks had an impact on the degree of credit risk, and the effect of risks associated with non-performing loans to total loans was negative. In contrast, the effect of pricing risks was positive and statistically significant. The results also indicated that liquidity risk and collateral erosion risks did not have any statistically significant impact on the degree of credit risk in Jordanian commercial banks. Accordingly, the study recommends that banks should develop strategies not only to reduce banks' exposure to credit risks but also to enhance the financial performance of these banks. Banks must also ensure proper management of credit risks to protect depositors' funds and avoid the distress faced by banks to enhance their profitability.

**Keywords:** Financial Performance Indicators, Credit Risks and Commercial Banks.