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EVALUATION OF THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS AND THEIR IMPACT ON FINANCIAL STABILITY-AN APPLIED STUDY OF A SAMPLE OF JORDANIAN COMMERCIAL BANKS FOR THE PERIOD 2012-2021

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Abstract

The purpose of the study is to find out the impact of assessing the financial performance represented by (liquidity index, leverage index) on the financial stability represented by (Z-SCORE). The research sample included (6) commercial banks from 2012 to 2021 to collect the main data in order to measure the research variables and their dimensions. Using correlation and regression models in statistical software. (SPSS) to examine the relationships and influences between these variables and dimensions. The study concluded that the evaluation of financial performance represented by the financial leverage index has an impact on financial stability (Z-SCORE), while it found that the liquidity index represented by the employment ratio has no effect on financial stability such as the cash balance ratio, which had the greatest impact. The study presented several recommendations, the most important of which is that the efforts of banks should focus on maximizing the wealth of owners, motivating them and ensuring that they continue to invest in ways that support the economic activity of the state in a way that enhances financial stability. Banks should seek to attract long-term deposits or bonds and long-term loans in addition to using the latest financing methods. To achieve a stable financing structure and maintain a reasonable leverage ratio, such as secured investments, and to benefit from securitization operations and other non-depositary financing sources to maximize profits and increase financial stability.

Keywords: evaluation of financial performance, financial stability, Jordanian commercial banks.

Introduction

The term commercial bank evaluation includes a description of the bank's management, business operations and financial condition. The evaluation report also shows whether the bank is solvent, identifies its assets and liabilities, reveals the capital adequacy ratio, identifies credit trends, and evaluates risk management, and all these factors are reflected in the financial stability of the assessed banks. Therefore, the focus of this study is to link the two variables "financial performance and financial stability" by determining the impact of assessing financial performance expressed by financial ratios on financial stability expressed by (Z-SCORE). This topic is important not only to banks and shareholders, but to anyone interested in the business. The purpose of analyzing financial performance ratios through the financial statements published by these institutions is to obtain a comprehensive understanding of their economic and financial conditions and the degree of their stability. Therefore, these ratios are important for evaluating public financial institutions and banks as models, stakeholders and shareholders who rely on financial performance ratios to understand the level of financial health, the status of these institutions and the degree of stability to understand the financial situation and help them make investment decisions.

I. The study Problem

Throughout history, the global economy has witnessed many financial crises that had a noticeable impact on the economies of most countries of the world, which prompted many researchers to search for the causes of these crises, and one of the results of most of these crises studies is performance, which is the main focus of these crises. Because of the great economic importance of banks, there was a growing interest in banking issues and their regulation. In short, the subject of this study is the evaluation of the financial performance of commercial banks and the extent of its impact on financial stability, and thus the characteristics of the main research question emerged, which can be formulated as follows: **Is there an impact of financial performance evaluation on the financial stability of the study sample banks**?

The main question is divided into the following sub-questions:

- Does the evaluation of financial performance represented by liquidity ratios affect financial stability?
- Does financial performance evaluation represented by leverage ratios affect financial stability?

II. Study outline

The following chart presents a logical map of the current research path and the trends that the researcher will test, an illustration of the topics under study and an analysis of the causal relationship between the (independent) variable represented by the financial performance evaluation and the (dependent) variable. A variable represented by financial stability (Z-SCORE), as shown in the following figure:

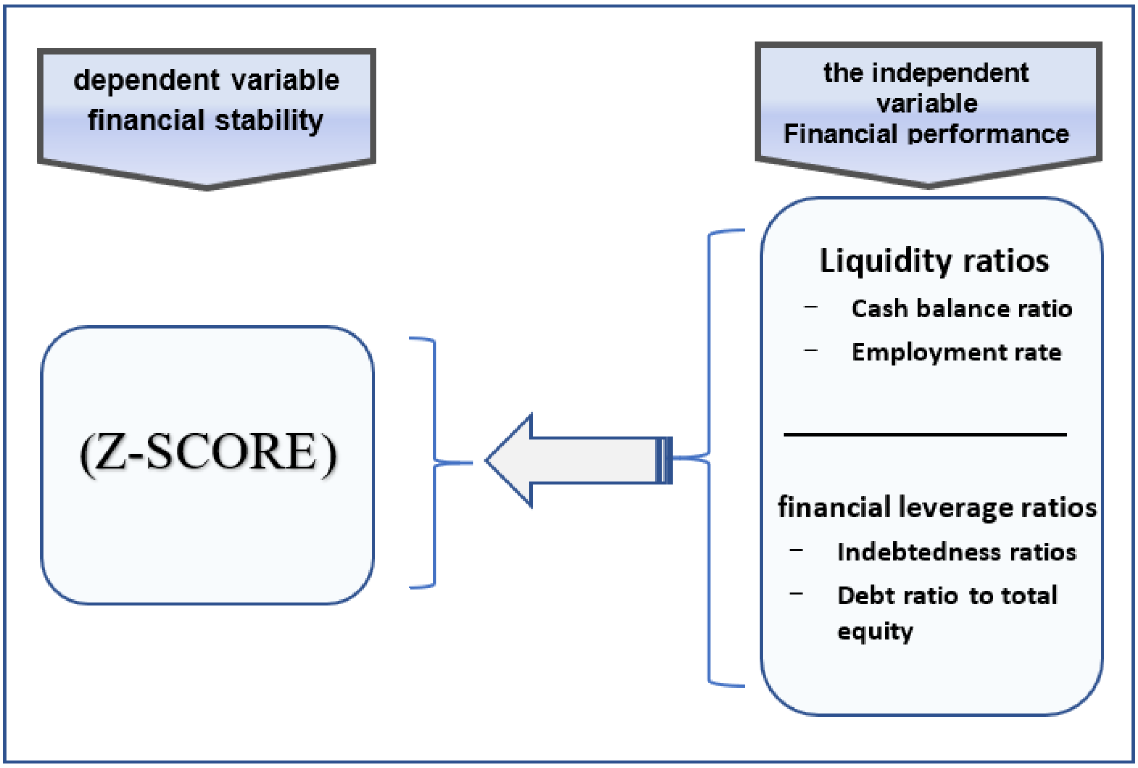


Figure (1): The hypothetical scheme of the study

III. Study hypotheses

After reviewing the research questions, we suggest some hypotheses and test them in different ways and methods, whether they are correct or rejected. Therefore, we put forward the following hypotheses:

1-The first main hypothesis: There is an effect of evaluating the financial performance by liquidity ratios on the financial stability of the bank**.**

The first main hypothesis consists of the following sub-hypotheses:

- The first sub-hypothesis: There is an effect of the cash balance ratio on the financial stability of banks.

- The second sub-hypothesis: There is an effect of the employment rate on the financial stability of banks.

2- The second main hypothesis: There is an effect of evaluating the financial performance by leverage ratios on the financial stability of the bank.

The second main hypothesis consists of the following sub-hypotheses:

- The first main hypothesis: There is an effect of the indebtedness ratio on the financial stability of banks.

- The second main hypothesis: There is an effect of the ratio of total debt to total equity on the financial stability of banks.

IV. The importance of studying

The importance of this study lies in the nature of the subject that we are working on, as it touches on an important topic that is the main nerve of any bank in the world, which is to clarify the relationship between evaluating the financial performance of banks and their financial stability. The following are the most important points that can be inferred from the importance of this study:

- Addressing the issue of financial stability, which is one of the most recent and important issues that have become the focus of attention of international financial institutions, especially central banks, due to financial liberalization and the open world between countries.
- Describe the means and methods available to manage commercial banks in the process of managing and evaluating their financial performance, as this is reflected in their financial stability.
- The importance of this study stems from the importance of the banking sector as a research target and its direct impact on the local economy, and the study relies on commercial banks as a variable studied in order to obtain a clearer understanding of the activities of these institutions.
- This research seeks to enrich the scientific and practical knowledge on which commercial banks rely.

V. Objectives of the study

The research aims to shed light on understanding how to increase the financial stability of banks and the role of financial performance in that, so this study aims to indicate the main objectives and based on the following:

1- Clarifying the impact and interdependence between the studied variables to benefit from the results and providing the necessary recommendations to develop and improve the level of the bank's financial performance to achieve more financial stability to achieve the desired goals.

- 2Analyzing the financial stability of the selected banks as a research sample and identifying the most stable banks included in the study.
- 3Recognizing the importance of evaluating the financial performance of a research sample of banks and the industry as a whole.
- 4Laying down a theoretical and practical basis for future research in response to recent changes in the banking environment and keeping pace with advanced banks.

VI. Study community and sample

The current study population includes commercial banks listed on the Jordanian Stock Exchange due to its effectiveness as an active market and accurate and consistent financial disclosure. As for the sample, (6) commercial banks were chosen randomly, which are (Jordanian Bank, Arab Bank, Cairo Amman Bank, Jordan Financial Bank, Union Bank, Investment Bank), while covering the time period from 2012 to 2021, i.e. 10 years, and thus covered the latest data to these banks

The second chapter: the theoretical framework of the research

The first requirement: Financial performance evaluation

Financial ratios or ratios are considered one of the best bases for entering into the process of evaluating the financial performance of commercial banks, as their success depends to a large extent on the accuracy and relevance of these ratios and the ability to properly evaluate financial performance. (Bushnaq, 2011, p. 3).

I. The concept of financial performance appraisal

The process of evaluating and analyzing a bank's financial performance is important to all external and internal data users such as bank managers, depositors, borrowers, investors and regulators. As such, the evaluation of financial performance is mandatory to establish whether the activity is progressing effectively towards achieving the long-term goals of the bank and those of the concerned parties of the organization. (Rufat, 2020, p. 3), the evaluation of financial performance is defined as: a comprehensive process In which various data, whether accounting or otherwise, are used to determine the current financial position of the bank and to determine the appropriate method in using its resources and exploiting opportunities (Hussein A., 2020, p. 166), that is, it is a process for measuring current performance and achieving predetermined goals. (Abadi and Al-Bahadli, 2019, p. 196)

II. The concept of financial ratios

When considering the assessment of financial performance, it is necessary to say something about the index portfolio, which is a measure of the financial performance of the enterprise. These ratios are defined as a mathematical relationship consisting of two numbers, one in the numerator and the other in the denominator, and the resulting ratios can only be used for comparison with the financial ratios of the same bank evaluated over many years, or with other banks in the same current ratio in the business to compare sectors. (Hussain A., 2020, p. 167), some people also express the financial ratio as "the ratio that determines the relationship between two types of information, and establishes the correlation between different financial ratios and ratios, so that economic units and other beneficiaries can understand the financial situation being evaluated Clearly and better for unity (Kazem, 2019).The measures are also used by the management to analyze the financial statements and determine the financial performance and profitability of the institution.(Jadaini and Sahnoun, 2017, p. 305)

III. Types of Financial Ratios

Financial ratios form the basis of financial information and these different types of ratios are interpreted for different purposes as they play an important role in accounting, management and investment decisions. It is used to measure the financial condition and performance of a business, while investors use it to support decision making. (Ongoro, 2018)

- 1Liquidity ratios

Liquidity is one of the most important characteristics that distinguish commercial banks from other economic units, and in this case the units may not or even postpone payment of dues for a period of time. Rumors of lack of liquidity in commercial banks alone are enough to reduce the confidence of depositors and push them to withdraw their deposits, which may lead to bank failure.. (Al-Mawla, 2017, p. 86). This ratio represents the ability of commercial banks to convert assets into cash without any loss in value, and banking liquidity can be seen as the bank's ability to meet deposit withdrawal requirements and meet depositors' daily withdrawal requirements. (Musa & et al., 2020, p. 231), and the most important ratios of liquidity are as follows:

- Cash balance ratio (CBR)

It reflects the bank's ability to fulfill due financial obligations on time through the "cash available to it", ie: the cash balance in the fund and in various banks and any other currencies (such as gold coins in banks and foreign currencies). (Hindi, 2010, p. 412).

Cash Balance Ratio = (Cash Assets/Deposits and the like)

- Employment rate, ER

The ratio is considered one of the traditional important ratios for measuring bank liquidity, and it determines the extent to which funds derived from deposits are used in loans and advances to meet customers' credit requirements. The ability of banks to meet withdrawal requests from depositors due to unforeseen circumstances. (Abdul Hamid, 2020, p. 351).

Employment Ratio = (Loans and Advances / Total Deposits)

- 2Financial leverage ratios

Financial leverage is defined as "the extent to which the institution is initially funded from fixed income sources (loans, bonds, and preferred shares), which affects the profits earned by the owners, and the degree of risk," (Al-Khafaji, 2020, page 9). Its most important ratios are as follows:

- Debt Ratio, DR

The debt ratio is one of the most widely used ratios for measuring the extent to which external financing sources are used, and a decrease in this ratio means that banks are doing better in providing guarantees to lenders and reducing risks, according to the following equation:

Debt ratio = (total liabilities/total assets)

- Debt to equity ratio, DER

This ratio measures the extent to which creditors' funds contribute to the financed assets compared to the owner's funds. An increase in this ratio reflects an increase in the probability of bankruptcy of the institution, and thus an increase in risks for lenders and investors, measured as follows:

Debt to Equity Ratio = (Total Liabilities / Total Shareholders' Equity)

The second requirement: financial stability

Financial stability is an important part of any corporate priority, and it is becoming increasingly important in finance and banking due to the sensitive nature of this activity. Therefore, this requires banks to focus investment selection on creating opportunities and maximizing the value of equity.

I. The concept of financial stability

In order for banks to play an important and effective role in economic life, it is necessary to seek a stable and strong banking sector capable of providing the necessary financing for various economic sectors to carry out various activities and provide all types of banking services. .

There is also a need to subject this (banking) sector to the regulatory process with the aim of preserving the strength and integrity of the bank's financial position and achieving a strong banking sector. . The Central Bank of Argentina defines financial stability as enabling the financial services sector to direct the savings of the population and provide a national payment system over time in an efficient, secure and sustainable manner. (Awad and Muhammad, 2022, page 607)

In short, financial stability can be defined as "a state or situation in which the financial system and all its components are able to withstand shocks and financial crises and absorb their negative effects, and are able to perform all the basic functions that they, in turn, represent, for example." Financial intermediation, risk management and appropriate payment arrangements under normal and abnormal circumstances. ".

Among the most important economic ratios that affect the stability of the banking sector are: (Ahmed and Hassoun, 2021, page 204)

. 1Assets: Assets are important because of their effective role in banking operations and are also considered one of the most important pillars of financial stability, as the credibility of financial performance ratios depends on the credibility of the quality of assets.

. 2Deposit: Funds entrusted to the bank by individuals or organizations, the bank undertakes to return the deposited funds with interest as agreed upon. Deposits are one of the most important sources of financing for banks, as they represent the largest percentage of bank financing. Total liabilities of the bank in addition to non-depositary sources.

. 3Capital: Capital is the backbone of absorbing losses when they occur and financing the banking infrastructure.

. 4Bank Credit: It is a credit that gives the bank a certain amount of money to a person (natural or legal person) in order to use it in a specific job.

. 5Overdue debts: These loans no longer generate interest income for the bank, so the bank finds it necessary to arrange them in a way that suits the current situation of the borrower.

II. Symptoms of financial instability

There are a group of symptoms that indicate the financial instability of the bank, and the following are explanations for some of them:

1- High non-performing debt ratio: A high non-performing debt ratio is a strong indicator of financial instability, so banks should keep this ratio as low as possible. (Murabit and Khanash, 2020: pp. 228-242).

2- Banking panic: It is the reaction of bank customers to a bank that is going through a crisis, which prompts them to rush to withdraw their deposits from the bank, which affects the bank's reserves, causing a liquidity crisis. (Kharis, 2023: p. 198).

3- Financial distress: It means the inability of the institution to pay its debts even though its total assets exceed the total liabilities. This stage is accompanied by a decrease in the bank's profitability and cash flows, which may force it to sell some of its assets to meet its due and contingent obligations, so as not to lose its credit reputation. (Hassanpour & Ardakani, 2017: P213-21)

4- Financial failure: This is the next stage of the stage of financial hardship, whereby the bank is unable to pay its debts, in addition to the accumulation of heavy losses and the decline in its market value. His debts have exceeded the market value of his assets, and even if all assets are sold, they become unable to pay all debts, their capital value is negative, and they are on the verge of bankruptcy. (Kharis, 2023: p. 198).

5- Bankruptcy: It is the legal acknowledgment of the bank's inability to pay its debts or that it has stopped carrying out its activities in preparation for liquidating its assets and paying its debts when they fall due. (Onakoya & Ayooluwam, 2017, P706)

III. The importance of financial stability

The importance of the stability of the banking system lies in its basic macroeconomic function, and the inability of the banking sector to absorb the shocks and turmoil it faces will hinder this function, which in turn will lead to slow economic growth, stagnation, and high unemployment rates. , which means that the economy is facing systemic instability (financial fragility) that may end up in a deflationary spiral such as what happened during the Great Depression in the 1930s, the Japanese crisis in the early 1990s, the Asian crisis in 1997 and the global crisis in 2008. Progress The banking industry is an essential service for many companies and industries and thus plays an important role in economic growth. In addition, financial instability in banks has a negative impact on economic growth, which could lead to economic downturn and higher unemployment. (Al-Khazraji and Al-Araji, 2020, pg. 329)

IV. Ratios of financial stability

Financial stability is measured using a quantitative model (Z-SCORE) because it is the latest and most accurate measure of the bank's financial stability, and because it helps to understand whether the bank will face financial failure, while other measures measure banks' exposure to liquidity problems. (Ghussan and Kunduz, 2021, p. 8), Al-Taman classified banks into three categories according to the Z-SCORE model, as follows (Yusuf, 2021, p. 171)

a. It is difficult to judge the success or failure of a bank with a Z value greater than 1.81 and less than 2.99.

B. If the Z value is less than 1.81, the bank will fail or be at risk of bankruptcy.

c. If the Z score is greater than or equal to 2.99, the bank is successful, viable and mature.

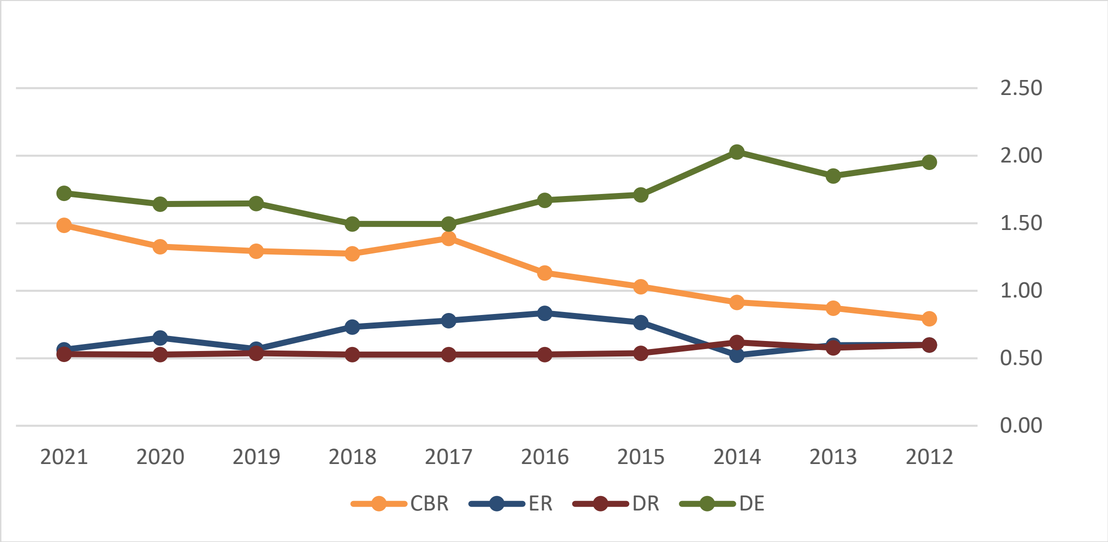
Financial stability can be calculated according to the following equation:

$$Z = \frac{\frac{ROA + ROE}{Assets}}{\sigma(ROA)}$$

Chapter Three: The practical side of the study

I. **Analysis of the results of evaluating the financial performance ratios of the study sample banks**

The following table (1) and figure (2) are the results of the ratios for evaluating the general financial performance of the research sample during the period (2012-2021):



Source: Prepared by the researchers based on financial data for the Jordanian banks for the period (2012-2021).

Figure (2) ratios for evaluating the financial performance for the period from 2012-2021 for the study sample

Table (1) Ratios of evaluating the financial performance for the period 2012-2021 for the study sample

DER	DAR	ER	CBR	Rati year
1.95	0.60	0.60	0.79	2012
1.85	0.58	0.60	0.87	2013
2.03	0.62	0.52	0.91	2014
1.71	0.54	0.77	1.03	2015
1.67	0.53	0.83	1.13	2016
1.49	0.52	0.78	1.39	2017
1.50	0.53	0.73	1.27	2018
1.65	0.54	0.57	1.29	2019
1.64	0.53	0.65	1.33	2020
1.72	0.53	0.56	1.48	2021
1.931	0.569	0.593	1.030	the average

Source: Source: prepared by the researchers based on financial data for Jordanian banks for the period (2012-2021)

- 1Liquidity ratios

The results in Table (1) and Figure (2) show that the highest value observed for the cash balance ratio during the study period was reached by banks in the study sample in 2021 (1.48). This means that the banks in the research sample for this year have the best cash balances to meet sudden business withdrawal deposits and scheduled obligations, and we see the lowest percentage in 2012 (0.79), banks must have a good cash balance to fulfill their obligations, but at the same time the bank should not contain On large sums of cash because if they keep the cash, they will lose the return of not investing the cash.

As for the employment rate, the results showed that the highest rate of employment and investment of funds derived from deposits and the like achieved by banks in the study sample amounted to (0.83) in the year 2016, while the lowest rate was (0.52) in the year 2014 during the study period, and the higher this rate Ratio, meaning that either the amount of money granted as loans has increased in the bank, or the value of deposits has decreased.

2- Financial leverage ratios

The results in Table (1) and Figure (2) show that the highest percentage of indebtedness achieved by the study sample banks was (0.62) in the year 2014 during the study period, which means that the study sample banks acquired debts (62%) of the total indebtedness. to finance their assets. The lowest percentage during the study period was (0.52) for the year 2017. It is noted from the results of this indicator that banks relied on debt financing at a rate of no less than (52%) compared to financing from owned capital.

As for debt to equity, it was found that the highest noticeable value of the ratio reached by banks in the study sample was (2.03) for the year 2014 during the study period, while the lowest noticeable value was reached for the ratio (1.49) for the year 2017 during the study period, and if this ratio rises, it means Banks rely less on debt for financing than on property funds.

II. Test hypotheses of the study

❖ **The first main hypothesis:** There is a significant effect of evaluating the financial performance by liquidity ratios on the financial stability of the bank.

This hypothesis is divided into two hypotheses, as follows:

- There is a significant effect of the cash balance ratio indicator on the financial stability of the bank.
- There is a significant effect of the employment rate indicator on the financial stability of the bank.

Table (2) gives the simple regression model estimates of the dependent variable's regression over the independent variable.

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Table (2): Impact test to assess the financial performance indicators represented by liquidity indicators

)Sig.(	)T(For all indicators	)Sig.)	(T)	Beta	(β)	R2	the independent variable
0.003	9.810	0.001	9.811	-0.940	-0.481	0.879	**cash balance ratio**
		0.310	1.080	-0.280	-0.230	0.07	**Employment ratio**

Source: Prepared by researchers based on the outputs of the spss program

With reference to table (2), we note the following:

- It is noted that there is an effect of the financial performance evaluation ratios represented by the cash balance ratio on the financial stability (Z-SCORE), as indicated by the fixed limit (T) amounting to (9.811), and with a significance level of (0.001), which is less than (5%). And the negative (reverse) effect of the cash balance ratio index on financial stability (Tobin's Q), in terms of the value of the beta regression coefficient (β) amounted to (-0.481). It is also noted that the coefficient of determination (R2) for the cash balance ratio amounted to (0.879), This means that the independent variable represented by (cash balance) explains approximately (87.9%) of the changes that occur in the dependent variable represented by financial stability (Z-SCORE). As for the remainder of this percentage, it is subject to other factors other than this percentage. The researcher concludes that the first sub-hypothesis is acceptable because the cash balance ratio has a significant impact on the financial stability of the banks in the research sample, represented by the Tobin Q ratio.
- It is noted that there is no effect of the financial performance evaluation rates represented by the employment rate on the financial stability (Z-SCORE), as indicated by the fact that the fixed limit (T) reached (1.080), and the level of significance (0.310), which is more than (5%). The value of the beta regression coefficient (β) amounted to (-0.230). It is also noted that the coefficient of determination (R2) for the employment rate has reached a value of (0.07), meaning that the independent variable represented by (the employment rate) explains approximately (7%) of the employment rate. Changes that occur in the dependent variable represented by financial stability (Z-SCORE), while the rest of this ratio is subject to factors other than this indicator. From this, the researcher concludes that the second sub-hypothesis is rejected because the employment ratio has no effect on the financial stability of the banks in the research sample, represented by the Tobin Q ratio.

Based on the foregoing, **the first major hypothesis is partially accepted**. That is, the presence of a significant and statistically significant effect for evaluating the financial performance represented by liquidity ratios on the financial stability of the bank.

❖ **The second main hypothesis**: There is a significant effect of financial performance evaluation by leverage ratios on the financial stability of the bank.

This hypothesis is divided into two hypotheses and as follows:

- There is a significant effect of the indebtedness ratio indicator on the financial stability of the bank.
- There is a significant effect of the indicator of total debt on equity on the financial stability of the bank.

Table (3) gives the simple regression model estimates of the regression of the dependent variable over the independent variable.

Table (3): Impact test to evaluate financial performance ratios represented by leverage ratios

(Sig.)	)T(For all indicators	)Sig.(	)T(	Beta	(β)	R2	the independent variable
0.002	3.872	0.003	3.838	0.730	2.341	0.530	**indebtedness ratio**
		0.004	3.410	0.684	0.250	0.470	**Total debt over equity**

Source: Prepared by researchers based on the outputs of the spss program

With reference to table (3), we note the following:

- It is noted that there is an effect of financial performance evaluation ratios represented by the indebtedness ratio on financial stability (Z-SCORE), as indicated by the fixed limit (T) amounting to (3.838), with a significance level of (0.003), which is less than (5%). And the type of positive effect (directive) of the indebtedness ratio on financial stability (Z-SCORE), in terms of the value of the beta regression coefficient (β) amounted to (2.341). The independent variable represented by (indebtedness ratio) explains approximately (53%) of the changes that occur in the dependent variable represented by financial stability (Z-SCORE). The first sub is acceptable because the indebtedness ratio has a significant impact on the financial stability of the banks in the research sample, represented by the Tobin Q ratio.
- It is noted that there is an effect of financial performance evaluation ratios represented by the ratio of total debt to equity on financial stability (Z-SCORE), as indicated by the fixed limit (T) amounting to (3.410), with a significance level of (0.004), which is less than (5%). And the type of positive effect (directive) of the ratio of total debt to equity on financial stability (Z-SCORE), in terms of the value of the beta regression coefficient (β) amounted to (0.250). It is also noted that the coefficient of determination (R2) for the ratio of total debt to equity has reached Its value is (0.470), meaning that the independent variable represented by (the ratio of total debt to equity) explains approximately (47%) of the changes that occur in the dependent variable represented by financial stability (Z-SCORE), while the rest of this ratio is subject to factors Other than this ratio. From this, the researcher concluded that the second sub-hypothesis is acceptable because the ratio of total debt to equity has a significant impact on the financial stability of banks in the study sample, expressed as Tobin Q ratio.

Based on the foregoing**, the second main hypothesis is accepted**, that is, the existence of a significant and statistically significant effect of evaluating the financial performance represented by leverage ratios on the financial stability of the bank.

Conclusions:

1. The results of the statistical analysis show that the employment ratio of liquidity ratios does not have a significant impact on the financial stability of banks, meaning that it has not been proven in the statistical analysis that the effect of increasing or decreasing these standard values on financial stability during the research period is at the level of significance (0.05) for banks Which was covered by the study, the results of the statistical analysis show that the cash balance ratio has a significant negative impact on the financial stability of the banks of the research sample, which means that an increase in this ratio means an increase in the volume of cash liquidity for the bank, and cash is not used to improve the profitability, which negatively affects financial stability banks in the financial markets.

2. The results of the statistical analysis show that the ratios (indebtedness, debt-to-equity ratio), which are financial leverage ratios, have a significant positive impact on the studied banks during the study period, which means that the banks rely heavily on debt in relation to financing assets, as they represent the part The largest of the financing structure. The high of these ratios gives investors and traders a positive image of the bank in the financial markets, which means that the bank is able to obtain financing and cover its costs, which reflects a positive impact on the bank's share price and its market value.

3. The results of the analysis to evaluate the financial performance showed that the results of the cash balance ratio of the banks of the research sample are similar with the gradual increase in each year (2012-2021). It follows that the banks do not have sufficient cash balances to cover their fees and pay their obligations in a timely manner in the first years. In 2021, the ratio was high, and this ratio is good for bank liquidity, but the continuous increase in this ratio may cost banks' revenues by not investing their surplus cash.

4. The results of analyzing the financial performance of banks in the evaluation study sample showed that the results of employment rates fluctuate due to instability, which affects the demand for loans and the ability of banks to meet customer needs.

5. The results of the financial analysis show that typical banks rely on debts to finance assets, but the proportion of assets financed by debts did not exceed 62% during the study period, so we conclude that banks do not dare to finance outstanding debts because of their environmental environment. This is why the central bank stipulates that if the bank reduces the dividends to the shareholders due to the increase in the shareholding then it must increase its share capital.

6. The results of the analysis of the financial performance evaluation of a sample of banks in the study showed that the ratio of debt to equity was high at the beginning of the study because the banks did not have sufficient capital to finance them during this period. Since 2014, the banking industry has gradually increased capital in accordance with the instructions of the Central Bank to enhance banking capabilities and encourage capital investment.

Recommendations:

1. Banks must use available resources efficiently, delve into financial metrics, diagnose weaknesses, and propose solutions that will help improve operational efficiency, secure market position, and achieve financial stability.

2. Banks should pay attention to liquidity ratios, especially the cash balance ratio, because of their impact on the financial stability of the bank. At the same time, other liquidity ratios should not be ignored and liquidity and its efficiency should not be exaggerated to meet the needs of the bank. To fill the bank's liabilities that do not negatively affect profitability.

3. In addition to adopting modern financing methods, such as long-term loans and the use of securitization and other sources of non-deposit financing, the research sample of banks works to maximize profits and improve financial stability.

4. It can be difficult to assess the financial condition of a bank because it involves evaluating many factors simultaneously. Therefore, accurate evaluation is very important for banks to improve their level and earn more profits in the future. Banking institutions often receive rating reports so that investors know how stable their bank is and whether they can trust it**.**

Source list

First: The sources are in Arabic

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