“The relationship between return on investment and Jordanian banks value”

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THE RELATIONSHIP BETWEEN RETURN ON INVESTMENT AND JORDANIAN BANKS VALUE

Abstract

Bank stakeholders such as investors, creditors, and other stakeholders of a bank, expect full disclosure to evaluate banks' financial statements. To achieve this goal, bank managers can increase the value of a bank by enhancing the return on their investments. This study examines the impact of financial performance on the market value of Jordanian public shareholding banks. The study model examines the effect of return on investment (ROI), debt ratio, dividend policy, and current ratio while controlling for bank size. Bank value is measured using the market value. The sample is Jordanian banks listed on the Amman Stock Exchange between 2005 and 2020. To investigate the link between the study variables, the random effect model, panel least squares approach, correlation analysis, and descriptive measures are used. The findings indicate that banks own 3.025 JD from current assets for each JD from current liabilities. In addition, the debt ratio is 38.4% from total assets. Adj R2 for the study model is 22.1%. The results show that profitability, leverage, and bank size significantly affect the value of Jordanian banks, while dividend policy and liquidity do not have a significant impact.

Keywords profitability, leverage, market value, liquidity, Jordan

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INTRODUCTION

The banking sector is considered to be a critical component of the economy of any country. It plays a vital role in the development and growth of businesses by providing essential financial services such as lending, borrowing, and investing. Consequently, the profitability and value of banks are important indicators of the economic health of a country.

In Jordan, the banking sector has undergone significant growth and transformation in recent years. The emergence of new financial products and services has increased competition among banks, leading to a more dynamic banking industry. One key performance metric for banks is Return on Investment (ROI), which is the measure of the profitability of an investment relative to the initial cost. ROI is an important measure because it reflects a bank's ability to generate profits from its investments.

Specifically, the study will examine whether there is a significant correlation between ROI and bank value in Jordanian banks. The research question is important as it will provide valuable insights into the factors that affect the value of banks in Jordan, which will be useful to investors, policymakers, and other stakeholders in the banking industry.

In summary, this paper addresses a crucial research question about the relationship between ROI and the value of Jordanian banks. The findings of this study will contribute to the existing literature on bank performance and provide valuable insights to stakeholders in the banking sector.

1. LITERATURE REVIEW AND HYPOTHESES

The banking sector plays a vital role in any country's economic development, and the profitability of banks is crucial for its sustainability. This literature review aims to explore the relationship between the return on investment (ROI) and the value of Jordanian banks.

In recent years, several studies have examined the relationship between ROI and the value of Jordanian banks. For instance, Alshatti (2016) investigated the determinants of Jordanian banks profitability. The study used a sample of 13 Jordanian banks, and the results revealed that that the variables of capital, capital adequacy and leverage influence the Jordanian banks' profitability.

Several studies have investigated the link between ROI and bank value in other countries, such as Berger and DeYoung (2001), DeYoung and Roland (2001), and Hasan et al. (2009). It is significant to indicate the reasons affecting banks value (Ben-Zion et al., 2018; Astrauskaite & Paškevicius, 2014; Kaya & Wang, 2016; González-Galarza et al., 2020; Martellini et al., 2018).

Many factors that affect investors in evaluating a firm's maximizing ability for the market value are Debt to Asset Ratio (DAR) as a solvency indicator, Current Ratio (CR) as a liquidity indicator, Return on Assets (ROA) as a profitability measure, Dividend Payout Ratio and Company Size. ROA indicates how much the resources of a firm contribute to creating profits (Omarkhanova et al. 2019; Pantoja et al., 2020). A bank has long and short-term objectives: for the short term, it wants to make an income to the maximum level by using existing assets. Increasing the value is a long goal to be achieved by a bank (Baronina, 2020; Zain & Muhamad Sori, 2020; Lu et al., 2019).

Several studies examined the link between the share market price and the investors' returns. The returns are the difference between the current market price and initial price. This variation will lead to high risk, but the high risk is associated with a high return (Buchanan et al., 2020; Albert et al., 2020). Moreover, the leverage ratio is a vital indicator to show an entity's value. Debt ratio (total Debt over total Assets) is used in this paper as the leverage percentage (Vatansever & Hepsen, 2013; PWC, 2017).

The liquidity ratio is a significant indicator to show an entity's value. The current ratio refers to a bank's ability to meet its short-term debt or obligations and measures the bank's ability to pay off its current liabilities from current assets. Nazar et al. (2018) and Kartikasary et al. (2020) reached to a relationship between a bank's added value effectiveness to income ratios (ROE & ROA) and the capital gain in the insurance and banking companies. Pramartha et al. (2020) concluded that dividend policies, funding decisions, and investment decisions, have a positive impact on firm value.

In addition, Alawneh and Alsarayreh (2021) examined the impact of internal and external factors on bank profitability in Jordan. The study found that factors such as capital adequacy, asset quality, and bank size had a significant positive impact on ROI and bank value, and recommended that banks should focus on maintaining high levels of capital adequacy and improving asset quality to enhance their profitability and value. Similarly, a study by Milhem and Abadeh (2018) investigated the impact of macroeconomic variables on the profitability and liquidity of Jordanian banks and found that variables such as inflation and GDP had an insignificant impact on Islamic banks liquidity and profitability.

High profitability leads to a good bank future so that shareholders will increase the company value. This is clear because a bank that has high income indicates that the bank has a sound performance, which increases investors' demand for the firm shares and maximizes the bank's share market price. This will increase the bank's value. This agreed with Terpstra and Verbeeten (2014) who found that ROI or ROA has, as the profitability indicator, a significant impact on the company value. But, Viswanathan and Dickson (2007) concluded that ROA affects the company value; high income refers to a good firm future so it leads investors to increase the share demand, since rising share demand will increase the company value. Additionally, Thakur and Workman (2016) reached that the companies in the maturity stage own more assets which indicates stability and can

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generate earnings more than small companies, firm size can be computed by using the total assets.

For the other variables that affect the book value, Makri et al. (2014) reached that the debt ratio had a vital impact on the price to book value. Firms with low debt had a decrease in price to book value, whereas firms with high debt had a high price to book value. Also, Mutmainah (2015) and Terraza (2015) found that the company size had a significant impact on the company value, but Erlangga and Mawardi (2016) showed that the company size has a vital effect on company value. On the other hand, Vatansever and Hepsen (2013) revealed that the debt ratio had no important impact on company value, while Faulkender and Petersen (2006) found that the debt ratio has a vital impact on the company value. Nagano (2018) found that the size of an organization had no moral impact on how much obligation protections issuance and functional execution in Italian banks. Pigrum et al. (2016) demonstrated a negative correlation between the size of a bank and the amount of debt securities issued in the same region.

AL-Qudah, and Alrjoub (2022) aimed to determine whether the operational performance of Jordanian banks is affected by the issuance of debt securities and the efficiency of profit management, and found that banks' operational performance is significantly affected by the issuance of debt securities. On other hand, Abdeldayem and El-Sherbiney (2018) examine and contrast the financial outcomes of Egypt's three banking options: Between 2003 and 2010, there were Islamic, conventional, and mixed banks. The performance of the three types of banks in Egypt is examined using multiple regression models to examine the impact of the internal bank-specific characteristics and the external macroeconomic environment. The three types of banks are evaluated based on their return on assets (ROA) and return on equity (ROE). The results indicate that operation efficiency has a significant negative impact on the three types of banks in Egypt, while the size of the bank and the rate of inflation only have a significant impact on the performance of conventional banks.

For solvency ratios, Harefa et al. (2022) determined the impact of ROI, CR, ROA, and DER on company value in beverage sector. The multicollinearity test, normality test, heteroscedasticity, autocorrelation test, coefficient (R^2), panel data regression test, F-test, and T-test are used to reach the study results. The adjusted R^2 value was 41%. The study found that ROA, ROI, and Debt to equity ratio variables have an impact on company value. On other hand, the current ratio does not affect company value. In the same topic, Husna and Satria (2019) aimed to determine the impact of debt to asset ratio (DAR), return on assets, dividend payout ratio (DPR), firm size, and current ratio (CR), on the company value of industrial firms in Indonesia from 2013 to 2016. Multiple regression analysis was used with the analysis technique. The study found that ROA and company size have an impact on company value, and also the ROA affects company value. On other hand, the debt ratio and payout ratio have no impact on company value. For liquidity, Kalbuana et al. (2021) concluded that liquidity has a vital impact on company value, while leverage and profitability do not affect a firm's value. While the influence of the 3 variables together states that Profitability, Liquidity, and Leverage influence a firm's Value.

In conclusion, the existing literature provides empirical evidence of a positive relationship between ROI and the value of Jordanian banks. The studies reviewed in this paper indicate that maximizing ROI is essential for enhancing the value of Jordanian banks. Moreover, the studies reveal that other financial indicators, such as asset quality and capital adequacy, also play a crucial role in determining bank value. These findings have important implications for policymakers, investors, and bank managers, as they highlight the importance of monitoring and improving financial indicators to enhance the value of Jordanian banks. The literature suggests a positive relationship between ROI and the value of Jordanian banks. Banks with higher ROI tend to have higher market values, which attracts more investors. Therefore, it is important for banks to focus on improving their ROI in order to increase their value and attract more investors. Banks should focus on improving their profitability by maintaining high levels of capital adequacy, improving asset quality, and being aware of macroeconomic variables. These findings have implications for bank managers, policymakers, and investors who can use this knowledge to make informed decisions about the banking sec-

tor in Jordan. Based on the above, the main objective of the study is to determine the impact of ROA, current ratio (CR), debt ratio (DAR), dividend payout, and company size on the company market value of manufacturing listed banks in Jordan from 2010–2020.

To accomplish the research objective, the following hypotheses were developed:

H_{01}: *ROA does not affect the company value of Jordanian Banks.*

H_{02}: *Leverage does not affect the company value of Jordanian Banks.*

H_{03}: *Liquidity does not affect the company value of Jordanian Banks.*

H_{04}: *Dividend policy does not affect the company value of Jordanian Banks.*

2. METHODS

To investigate the relationship between return on investment (ROI) and Jordanian bank value, there are several suitable methods that will be used. Firstly, descriptive analysis is a statistical method that is often used to summarize and describe the basic features of a dataset. It involves the calculation of various measures of central tendency and dispersion, such as mean, median, standard deviation, and variance. After that, correlation analysis will be used to examine the strength and direction of the relationship between ROI and Jordanian bank value. It involves calculating the correlation coefficient between these two variables, which ranges from –1 to 1. Finally, multiple regression analysis will be used to examine the impact of ROI on Jordanian bank value while controlling for other variables that may influence bank value, which is a useful method as the data include multiple independent variables.

The financial performance of Jordanian banks has been a subject of interest for researchers and policy-makers due to its impact on the country's economic growth and stability. One of the key measures of financial performance is return on investment (ROI), which reflects the profitability of a bank's investments. Another important measure of financial performance is bank value, which represents the market value of a bank's assets and liabilities.

To investigate the relationship between ROI and Jordanian bank value, data can be collected from various sources, including financial statements, annual reports, and regulatory filings. The following data points may be collected:

ROI = Net Income / Total assets of the bank.

Bank value = market value of a bank's assets – the market value of its liabilities.

Control variables: Other variables (Debt ratio, Current ratio, dividend policy, and bank size) that may influence bank value, such as market conditions, economic factors, and management practices, will also be collected.

The data can be collected for a sample of Jordanian banks over a period of time, such as the past five or ten years. The sample size and time period can be determined based on the research question and the availability of data.

The study regression model is:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \\ + \beta_4 X_4 + \beta_5 X_5 + \varepsilon, \quad (1)$$

where Y = Bank Value; a = Equation Constant; β = Regression coefficient; X_1 = Return on Assets; X_2: Debt Ratio (DR); X_3: Current Ratio (CR); X_4 = Size; X_5 = Dividend policy; ε = equation error.

All shareholder banks listed on the Amman Stock Exchange are included in the study sample. The required data must include at least two years of consecutive data. The study sample will consist of thirteen banks listed on the Amman Stock Exchange from 2005 to 2020 after the required criteria have been met.

3. RESULTS

Descriptive statistics for six variables are presented in Table 1. A Jordanian bank has a low return on investment, on average the figure was –1.4%.

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Table 1. Descriptive analysis

Variable	Mean	Median	Std.	Kurtosis	Skewness	Minimum	Maximum
ROI	–0.014	0.008	0.124	10.023	–1.934	–0.969	0.433
Debt Ratio	0.384	0.327	0.302	19.534	2.828	–0.969	0.433
Current Ratio	3.025	1.886	5.076	156.178	10.185	0.021	97.204
Size	6.923	6.96	0.801	1.118	–0.433	3.458	8.928
Dividend Ratio	0.402	0	2.392	712.691	25.654	–1.603	67.162
Bank Value	1.57	1.232	1.721	16.25	3.589	–4.6	12.777

For the debt preferences, the Jordanian bank relies more on the internal source of funds, since more than 60% of total assets are converged from the equity; this percentage sounds good and gives the bank's managers the chance to benefit from both the equity and debt opportunities.

Table 1 also shows that Jordanian banks had a good liquidity position, since they can cover their current liabilities more than three times their current assets without needing to have the new long-term obligation or selling fixed assets. It was noticed the dividend policy is attractive for shareholders, since the dividend ratio is more than 40% of the net income. The book value is 1.57 on average with a high standard deviation, which indicates the high variation between the Jordanian banks' book value and size.

The ROI variable has a negative mean (–0.014) and a small median (0.008), which indicates that the majority of observations have low ROI values. The standard deviation (0.124) suggests that ROI values are relatively dispersed, and the negative skewness (–1.934) indicates that the distribution is skewed to the left. The high kurtosis (10.023) suggests that the distribution has heavy tails and is leptokurtic.

The Debt Ratio variable has a mean of 0.384 and a median of 0.327, which indicates that the distribution is skewed to the right. The standard deviation (0.302) suggests that the Debt Ratio values are relatively dispersed. The high kurtosis (19.534) indicates that the distribution has heavy tails and is leptokurtic.

The Current Ratio variable has a mean of 3.025 and a median of 1.886, which indicates that the distribution is skewed to the right. The standard deviation (5.076) suggests that the Current Ratio values are widely dispersed. The high kurtosis (156.178) indicates that the distribution has very heavy tails and is highly leptokurtic.

The Size variable has a mean of 6.923 and a median of 6.96, which indicates that the distribution is approximately symmetric. The standard deviation (0.801) suggests that the Size values are moderately dispersed.

The Dividend Ratio variable has a mean of 0.402 and a median of 0, which indicates that the distribution is skewed to the right. The high standard deviation (2.392) and kurtosis (712.691) indicate that the distribution has very heavy tails and is highly leptokurtic.

The Bank Value variable has a mean of 1.57 and a median of 1.232, which indicates that the distribution is skewed to the right. The standard deviation (1.721) suggests that the Bank Value values are moderately dispersed. The minimum value is negative (–4.6), which suggests that some banks may have negative values. The high kurtosis (16.25) indicates that the distribution has heavy tails and is leptokurtic.

Overall, the descriptive statistics provide useful information about the central tendency, dispersion, skewness, and kurtosis of the variables. However, they should be interpreted in conjunction with other information, such as the data distribution and the research context.

The correlation factors between the main variables are presented in Table 2. Spearman & Pearson correlation factors are positive or negative and significant, however, the correlation factors for current ratios and dividend ratios are insignificant.

Table 2 presents a Pearson correlation matrix for a set of financial ratios. The correlations are calculated based on a sample of data, and the asterisks indicate the level of statistical significance of the correlations.

Table 2. Pearson matrix

Item	DR	CR	Size	DR	Value
ROI	–0.401**	0.012	0.429**	0.082	0.416**
Debt Ratio	–	–0.362**	–0.063	–0.058	–0.371**
Current Ratio	–	–	–0.035	0.007	0.055
Size	–	–	–	0.081*	0.509**
Dividend Ratio	–	–	–	–	0.048

Note: * 0.1 level; ** 0.01 level.

Table 3. Spearman correlation matrix

Item	DR	CR	Size	DR	Value
ROI	–0.408**	0.419**	0.422**	0.646**	0.702**
Debt Ratio	–	–0.820**	0.072*	–0.407**	–0.452**
Current Ratio	–	–	0.03	0.374**	0.378**
Size	–	–	–	0.239**	0.477**
Dividend Ratio	–	–	–	–	0.567**

Note: * 0.1 level; ** 0.01 level.

One of the most significant correlations in Table 2 is the negative correlation between ROI and Debt Ratio (–0.401**). This suggests that as a company's debt ratio increases, and its return on investment tends to decrease. This relationship is expected, as a high level of debt can increase a company's financial risk, which can negatively affect its profitability and return on investment.

Another negative correlation is found between Debt Ratio and Size (–0.063*) (see Table 2), which suggests that smaller companies tend to have higher levels of debt. This relationship can be explained by the fact that smaller companies may have limited access to financing options and may rely more on debt financing to fund their operations.

The positive correlation between Size and ROI (0.429**) (see Table 2) suggests that larger companies tend to have higher return on investment. This relationship can be attributed to the economies of scale that larger companies may benefit from, as well as the potential for greater diversification and risk management.

The correlations between Current Ratio and the other variables are generally weak, suggesting that the current ratio is not strongly related to other financial ratios. The correlation between Dividend Ratio and the other variables is also weak, indicating that the payment of dividends does not have a strong impact on the other financial ratios.

Overall, table 2 and table 3 provide a useful snapshot of the relationships between different financial ratios, which can be helpful for evaluating a company's financial performance and making investment decisions. However, it is important to keep in mind that correlation does not imply causation, and additional analysis is needed to understand the underlying factors that drive the observed relationships.

4. DISCUSSION

Table 4 showed the OLS results of the relationship between several ratios and indicators with the market value. This table appears to present the results of a multiple regression analysis, which is a statistical technique for modelling the relationship between two or more independent variables and a dependent variable. The table provides information on the coefficients, t-statistics, and significance levels of the independent variables, as well as measures of model fit such as R^2, adjusted R^2, F-statistics, and Durbin-Watson statistics.

The results indicate that ROI and Debt Ratio have a significant impact on the dependent variable, as indicated by their coefficients and t-statistics, which are both large and highly significant ($p < 0.01$).

The Current Ratio, on the other hand, has a small coefficient that is not significant at the 0.05 level,

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indicating that it has no significant effect on the dependent variable. Additionally, the coefficient for Dividend is small and insignificant, indicating that it has little effect on the dependent variable.

The model accounts for 22.4% of the variance in the dependent variable, as indicated by the R2 value of 0.224, while the adjusted R2 value of 0.221 indicates that the model has been adjusted for the number of included independent variables. The model as a whole is a good fit for the data, as the F-statistics of 61.564 is highly significant (p 0.01).

The fact that the VIF (variance inflation factor) is 1.406 indicates that there is no significant multicollinearity among the independent variables is crucial to the validity of the regression results.

First, the whole model can interrupt 22.1% from the variation in the market value, and F-statistics was significant. Therefore, the independent variables (ROI, Debt ratio, Current ratio, and dividend ratio) have a significant relationship with the company's market value.

The coefficient was positive and significant for the first hypothesis regarding ROI, which means that the first null hypothesis is rejected and the alternative one is accepted. So, ROI influences a company. This normal result agrees with previous research and means that profitability affects the investors' decision before making their decision because these investors prefer the profit company which increases the demand for these kinds of companies which leads to an increase in their share value in the market.

For the second hypothesis, the coefficient was negative and significant, which means that the leverage influences the bank value for the period 2010–2020. This result can be discussed by knowing that the company with a high debt ratio will be more interest expense and hold a high-risk position, these important factors will make the investors more cautious before purchasing these shares and will decrease the demand and the market value for these companies for the period 2010–2020.

For the third and fourth hypotheses, the coefficients were insignificant, which means that we accept these hypotheses, therefore, the liquidity and dividend policy do not affect the bank value on the Amman Stock Exchange for the period 2010–2020. This result can be explained by the liquidity and dividend policy representing a short-term decision that cannot affect the banks' market price.

Table 4. The model

Item	Factors	E	t-statistics	Significant
Constant	2.241	0.108	20.769	0.00
ROI	4.307	0.463	9.303	0.00
Debt Ratio	–1.486	0.203	–7.308	0.00
Current Ratio	–0.015	0.011	–1.310	0.190
Dividend	0.006	0.022	0.267	0.789
R^2	0.224	Adjusted R^2		0.221
F-Statistics	61.564	Sig		0.00
VIF	1.406	Durbin-Watson		0.274

Overall, Table 4 provides valuable information on the impact of different financial ratios on a dependent variable, and can be used to make informed decisions about financial performance and investment strategies.

The sample is divided into large and small banks. Table 6 shows that the small banks' results for the Adj-R^2 and the model coefficients are higher than for large banks. So, the bank size affects the association between the financial ratios and the bank market value.

Table 5. Large banks

Item	Factors	E	t-statistics	Significant
Constant	2.373	0.363	6.540	0.00
ROI	5.575	1.210	4.609	0.00
Debt Ratio	–1.628	0.581	–2.804	0.005
Current Ratio	0.070	0.061	1.154	0.249
Dividend	–0.008	0.029	–0.285	0.776
R^2	0.183	Adjusted R^2		0.176
F-Statistics	23.919	Sig.		0.00
VIF	2.293	Durbin-Watson		0.188

Table 6. Small banks

Item	Factors	E	t-statistics	Significant
Constant	1.545	0.070	21.946	0.00
ROI	1.574	0.250	6.301	0.00
Debt Ratio	–1.227	0.10	–12.271	0.00
Current Ratio	0.011	0.012	0.862	0.389
Dividend	0.180	0.047	3.799	0.00
R^2	0.542	Adjusted R^2		0.537
F-Statistics	108.84	Sig.		0.00
VIF	1.520	Durbin-Watson		0.586

Table 7 shows the results for the study models.

Table 7. First model

Variable	Coefficient	Error	t-statistics	Prob.
IND__ROI	1.330049	0.150754	8.822624	0.0000
CR	0.590379	0.035654	16.55864	0.0000
DB	1.372086	0.220957	6.209752	0.0000
DPR	–0.149448	0.013168	–11.34957	0.0000
Constant	–0.262571	0.155636	–1.687081	0.0919
R-squared	0.653334	Prob. (F)		0.000000
Adjusted R^2	0.652090	Durbin-Watson		0.883320
F	525.3377	–		

The Hausman test helps determine which approach is superior (fixed effect or random effect) (Ahmed et al., 2021). According to Table 8, the random effect is superior (Gujarati, 2021). The outcomes confirmed the previous section's findings regarding the regression model.

Table 8. Hausman test results

Item	Chi-Sq. St.	Chi-Sq. d.f.	Probability	Output
Model (1)	0.00	1	1.00	Random is better

Table 9. Random effect models – Model (1)

Variable	Coefficient	Error	t-statistics	Prob.
Constant	–0.262571	0.160688	–1.634046	0.1026
ROI	1.330049	0.155647	8.545278	0.0000
DB	1.372086	0.228128	6.014543	0.0000
CR	0.590379	0.036811	16.03811	0.0000
DPR	–0.149448	0.013595	–10.99279	0.0000
Cross-section fixed (dummy variables)				
R^2	0.653334	Prob. (F-statistic)		0.000000
Adjusted R^2	0.629140	Durbin-Watson		0.883320
F.	27.00427	–		

Based on the results of this study, some recommendations are suggested for Jordanian banks. Firstly, they should strive to improve their financial performance by adopting strategies that enhance their profitability and reduce their leverage. Secondly, banks should also pay close attention to their size as it has a negative impact on their market value. They may need to consider options such as mergers and acquisitions to enhance their market value. Thirdly, management should provide accurate and transparent financial statements to investors and other external users to improve their understanding of the bank's financial position and performance. Finally, future research should focus on investigating the impact of other financial indicators, such as operating ratios, on the market value of Jordanian banks. Overall, the findings of this study can serve as a valuable guide for the management of Jordanian banks in making sound financial decisions to enhance their market value.

When compared with previous studies, several studies found that such financial ratios have a significant impact on the market value of Indian companies. This is similar to the current study's finding that ROI has a significant impact on the market value of Jordanian banks.

Overall, previous studies support the idea that financial ratios and performance indicators can have a significant impact on the market value or share prices of companies in various industries and countries. However, it is important to note that each study has its own specific focus and context, and the specific financial ratios or indicators that are found to be significant may vary depending on the industry, country, or time period being studied. Therefore, it is important to conduct further research to confirm and extend the findings of these studies, and to consider the specific context and factors that may affect the relationship between financial ratios and market value.

CONCLUSION AND RECOMMENDATIONS

The purpose of the study is to investigate the impact of the application of financial performance indicators on the market value of Jordanian public shareholding banks. In conclusion, the findings of this study reveal that financial performance indicators have a significant impact on the market value of Jordanian public shareholding banks. Specifically, the study shows that profitability and leverage have a positive impact on the bank market value, while bank size has a negative impact. However, the study did not find significant evidence for the impact of dividend policy or liquidity on the bank market value. This suggests that Jordanian banks should focus on improving their profitability and leverage to enhance their market value.

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Good financial performance is the main reason for the success of any company and is considered the main requirement to maintain the strength and value of a company, as financial performance contributes to providing appropriate and accurate information for planning, control, and sound decision-making promptly. in the process of economic and social development. The financial performance in competitive economic systems determines the most efficient and productive companies, which have the best investment opportunities, and measures the optimal utilization of limited resources to achieve the highest profits.

Many variables affect the market value of the share, such as political, social, or economic factors, whether local or global factors, as well as the realized and distributed profits in the company, the book value of the share, the rate of inflation, rumors and information that reach the financial market and competition conditions. Therefore, this study tries to examine some factors that affect the bank market value and concludes that profitability, leverage, and bank size can affect the Jordanian bank value. On the other hand, the study failed to reach the same result for dividend policy or liquidity.

Lastly, for future research directions, the study recommends using different independent variables, especially operating ratios like inventory turnover, account receivable turnover, operating cycle, or cash cycle length, to investigate their effects on the market value, which also can be measured using different formulas such as Tobin's Q for several sectors like service, banking, and insurance. The study recommends that management pay great attention to the analysis of financial statements and disclose them to investors and other external users.

AUTHOR CONTRIBUTIONS

Conceptualization: Mohammad Fawzi Shubita.
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