The Impact of Internal Variables on the Islamic Banks and Conventional Banks Financial Performance in Jordan: A Comparative Study

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ABSTRACT

The purpose of this study is to examine the effect of the Internal variables on the profitability of the Islamic and commercial banks measured by (current accounts, equity and bank size), from 2007 to 2016. To achieve the study objectives, E-views program was used and a statistical procedures were made, The study collects data from the annual financial reports from the sample of the study. The study finds a statistical significant effect of the Internal variables (current accounts, equity and bank size) on the profitability measured by (return on total assets, return on equity and average earnings per share) of the commercial banks due to the variety of investments and big size of total assets of these banks. Regarding to Islamic banks, there was an effect of only the equity and the size of the bank on profitability, and that there is no significant effect of the independent variable Current accounts on the dependent variable the profitability of Jordanian Islamic banks. And that’s due to the high costs of those accounts in Islamic banks. According to these findings, The study found some of the recommendations. Islamic banks should enhance their performance to be distinguished and advance their activities in order to achieve more profits.

Keywords: Commercial Banks, Islamic Banks, current accounts, Equity, Bank size, profitability
JEL Classifications: G2, G21

1. INTRODUCTION

The banking sector including the Islamic Banks works in order to develop the society economically and socially By exploiting its available resources in a legitimate manner consistent with the teachings of the Islamic religion concerning the investment of funds and how to dispose them in the legitimate aspects, Although the nature of Islamic banking differs from that of commercial banking, Islamic banks and commercial banks are among the most important financial and economic institutions.

Due to the complexity of its financial and banking relations with all other economic institutions, as well as the multiplicity of the size and type of customers benefiting from its services, so a large part of the activities of Islamic banks are affected by a range of factors and variables (internal and external), This study came to examine a set of internal variables affecting the activity and business of banks in general, and affect the financial performance in particular (Islamic Accounting and Auditing Organization. 2004).

1.1. The Study Problem

Financial institutions face many challenges as a result of the rapid developments in the world, and because the profitability is of great importance in financial literature and thought and its importance in economic activity. Islamic and commercial banks have not lost sight of their interest in improving their profitability By briefing the researcher on the previous studies related to the profitability of Jordanian banks and their follow-up to Islamic and commercial banks, and the fact that these banks do not operate in an isolated environment, The researcher realized that there are many variables that are not taken into consideration by researchers and bank officials about their impact on their profitability.
These internal variables (current accounts, equity rights, bank size) play a pivotal role in the profitability of banks. Therefore, the purpose of this study is to demonstrate the impact of internal variables on the profitability of Islamic and commercial banks.

1.2. Study Hypotheses

The first main hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the profitability of Islamic banks in Jordan.

The first hypothesis is subdivided into the following sub-hypotheses:

The first sub-hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the rate of return on assets in Islamic banks in Jordan.

The second main hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the profitability of commercial banks in Jordan.

The second hypothesis is subdivided into the following sub-hypotheses:

The first sub-hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the rate of return on assets in commercial banks in Jordan.

The second sub-hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the rate of return on equity between Islamic banks in Jordan.

Third hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on average earning per share of the Islamic banks in Jordan.

The second main hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the profitability of commercial banks in Jordan.

The second hypothesis is subdivided into the following hypotheses:

The first sub-hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the rate of return on equity in Islamic banks in Jordan.

The second sub-hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the rate of return on equity in Islamic banks in Jordan.

Third sub-hypothesis:
There is no significant statistical effect at the level \((\alpha \leq 0.05)\) of the internal variables (current accounts, equity, bank size) on the rate of return on equity in commercial banks in Jordan.

Third main hypothesis:
There are no significant statistical effect at the level \((\alpha \leq 0.05)\) of the effect of internal variables (current accounts, equity, bank size) on the profitability between commercial banks and profitability of Islamic banks in Jordan.

The third hypothesis is subdivided into the following hypotheses:

The first sub-hypothesis:
There are no significant statistical effect at the level \((\alpha \leq 0.05)\) of the effect of internal variables (current accounts, equity, bank size) on the rate of return on assets between commercial banks and profitability of Islamic banks in Jordan.

The second sub-hypothesis:
There are no significant statistical effect at the level \((\alpha \leq 0.05)\) of the effect of internal variables (current accounts, equity, bank size) on the rate of return on equity between commercial banks and profitability of Islamic banks in Jordan.

Third sub-hypothesis:
There are no significant statistical effect at the level \((\alpha \leq 0.05)\) of the effect of internal variables (current accounts, equity, bank size) on the average earnings per share between commercial banks and profitability of Islamic banks in Jordan.

1.3. The Importance of Studying

This study draws its significance by addressing a relatively recent topic, which is of great interest to Islamic banks operating in Jordan namely: Jordan Islamic Bank for Investment and Finance and Arab Islamic international Bank, which They have experience in Islamic banking. Derived from the borrowing policy and interest rate, and will be through the measurement of the impact of internal variables on the profitability of these banks, and to know how Islamic banks are flexible in responding to those variables compared to the flexibility of commercial banks to those variables, and can maintain their financial position and competitiveness in the sector Banking.

2. LITERATURE REVIEW

2.1. Previous Studies

Al-Yahya (2008), the study aimed to measure the efficiency of Islamic banks compared to commercial banks in Jordan, as well as compare the efficiency of the two Islamic banks, namely Jordan Islamic Investment Bank and Arab Islamic International Bank among them, using the analysis of financial ratios to measure the efficiency of banks. The results showed that commercial banks are more efficient than Islamic banks by dividing the sample of the study into two groups containing the two Islamic banks in addition to two commercial banks selected based on the convergence in the total assets of these banks with the two Islamic banks. Maria (2009), The study aimed to analyze profitability levels, asset quality, market value and liquidity ratio. The results showed that Islamic banks outperformed their asset growth and net income from financing activities and had better liquidity compared to conventional banks. Bushnaq (2011), the study aimed to evaluate the financial performance of Islamic and conventional banks in Palestine through comparison using several financial indicators such as liquidity, activity, profitability and market indicators. The study found the result: Islamic banks maintain high liquidity compared to conventional banks. Liquidity is less in Islamic banks than conventional banks. Kosmidou et al (2005). The article study the effect of bank's characteristics, financial market structure and macroeconomic conditions on the net interest margin and return on average assets (ROAA) of the UK commercial banking over the period 1995-2002. The result show a negative correlation between the cost to income ratio and the bank profitability. Liargovas, and Skandalis, (2008) the study investigate the factors affecting the financial performance of the Greek industrial companies during the period (1997-2004).
To achieve this, the researchers conducted a comprehensive analysis of the performance of Greek industrial companies. Based on the gradual regression equation, the researchers also used the questionnaire to collect information. The study also found that large companies, and inexperienced, exporting and involving a competitive management team are the most profitable, as these companies are characterized by the best indebtedness, and use their liquidity to finance their investments, the study recommends the integration of small companies so that they can stand and compete against large companies. Almazari (2014) this paper aimed to study the internal factors that affect the profitability of banks. The study compared the profitability of Saudi and Jordanian banks using internal factors. Data were collected from published secondary sources. The study found a positive correlation between the return on assets for Saudi banks with the variables TEA, TIA and LQR, in addition to a negative correlation with the variables NCA, CDR, CIR and SZE. The study also found a significant positive relationship between return on assets for Jordanian banks with LQR, NCA, TEA and CDR variables, and a negative relationship between return on assets with CIR, TIA and SZE. The study recommends conducting empirical studies in the same field to find out the internal factors that may have influence of the profitability of banks

2.2.2. Theoretical Framework
Internal variables affecting the financial performance of banks:

The profitability of banks is influenced by many variables that may affect their profitability negatively or positively, among these variables, internal variables affected by government regulations and legislation represented by monetary and financial policy on the profitability of banks, and internal variables include several factors including current accounts, equity, and bank size

2.2.2.1. Current accounts (demand deposits)
Banks call accounts on certain types of deposits, such as current accounts. Current accounts are considered one of the most important sources of external funds for commercial and Islamic banks alike, where banks rely in financing the bulk of their operations on the funds of depositors, given the low cost of obtaining them compared to other sources

Bankers defined the current account as a type of deposit account from which checks are drawn primarily by checks or any other withdrawal instrument withdrawn by the customer on the bank.

2.2.2.2. Equity
The internal sources of funds of banks include: Equity (funds derived from the contributions of the owners of the bank, i.e. shareholders), Funds arising from the results of its activities such as cash reserves held by the Bank in compliance with the prevailing laws and part of the profits realized by the Bank from its activities and not distributed to shareholders (retained earnings)

There are no differences in internal sources (equity) between Islamic banks and commercial banks, except in one case that the Islamic bank’s capital cannot contain preferred shares, because of its special nature, which includes predetermined fixed returns in addition to its share of profits (Islamic Accounting and Auditing Organization. 2004).

2.2.3. Bank size
Through the many applied studies that have introduced the size of the bank as one of the variables or as a basis for the classification of banks it turned out that there is no standard or standardized size of the bank.

However, we can say that the size of the bank reflects the resources available to the bank so that these resources affect its economic activity and its ability to benefit from the environment more effectively (Damotaran, 1999).

The size of the bank has a prominent value in many financial and economic studies, which addressed various topics including economic size, production, industrial concentration, profitability and technological change.

However, there is no clear concept and standardized measure of the size of the bank, through the various experimental studies, but the most common and used measures of the size of the bank are (total assets, shareholders’ equity, and number of employees and volume of deposits).

In this study, one measure of the total assets will be taken. This measure is considered one of the most important measures to estimate the size of the bank, the total assets is the economic resources owned by the Bank and is expected to be utilized in future operations.

3. METHODOLOGY
The study relied on the analytical approach in studying, analyzing and interpreting data related to Jordanian commercial and Islamic banks, and in studying and analyzing data based on financial ratios as a tool of analysis. The dependent variable which is profitability was measured by profitability ratios.

The statistical package E-views was used to analyze data. It is a modern and advanced program in the standard analysis and estimation of economic models. It is designed to handle (panel date) cross-sectional data and time series, i.e data that examine a particular sector over time, and is an easy-to-use program for such a study.

3.1. How to Calculate Variables
The variables that were concentrated during the study were divided into independent and dependent variables. The dependent variable (profitability) was calculated by the following equations:
1. Rate of Return on assets (ROA) = \( \frac{\text{Net Income}}{\text{Total Asset}} \)

2. Rate of return on equity (ROE) = \( \frac{\text{Net Income}}{\text{Total Equity}} \)

3. Earnings per share (EPS) = \( \frac{\text{Net Income}}{\text{Number of shares outstanding}} \)

The above indicators will be adopted separately to represent the dependent variable.

### 3.2. Study Population

Through reviewing the bulletins issued by the Central Bank of Jordan and the Association of Jordanian Banks, we find that the study population relates to licensed banks in Jordan, which consist of three categories: commercial Jordanian banks, foreign commercial banks, and Islamic banks. The number of 26 banks according to the prospectus of the Association of Jordanian Banks for 2016. The sample of the study is derived from the study population mentioned above. It will include 15 Jordanian banks, 13 of which are commercial banks. As for Islamic banks, only two banks were selected, and two were excluded (Jordan Dubai Islamic Bank and Al Rajhi Bank) for lack of financial statements covering the study period.

The following table shows the sample of the study:

#### Table 1: The names of the Jordanian banks included in the study

| No. | Bank name                              | Date of establishment |
|-----|----------------------------------------|-----------------------|
| 1   | Arab Bank                              | 1930                  |
| 2   | Jordan National Bank                   | 1956                  |
| 3   | Bank of Jordan                         | 1960                  |
| 4   | Cairo Amman Bank                       | 1960                  |
| 5   | Housing Bank for Trade and Finance     | 1974                  |
| 6   | Jordan Kuwait Bank                     | 1977                  |
| 7   | Commercial Bank of Jordan Previously   | 1978                  |
| 8   | Jordan Gulf Bank                       | 1978                  |
| 9   | Arab Jordan Investment Bank            | 1979                  |
| 10  | Jordan Islamic Bank for Investment and Finance | 1989          |
| 11  | Arab Banking Corporation (Jordan)       | 1989                  |
| 12  | Investment Bank                        | 1991                  |
| 13  | Union Bank                             | 1993                  |
| 14  | Jordan national Bank                   | 1996                  |
| 15  | Arab Islamic International Bank         | 1997                  |

Source: Based on information from the 2016 report of the Association of Jordanian Banks

### 3.3. Examine the First Main Hypothesis

There is no significant statistical effect of the internal variables (current accounts, equity, bank size) on the profitability of the Islamic banks in Jordan at the level (\( \alpha \leq 0.05 \)). The standard model of multiple linear regression test for cross-sectional time data was used to test the hypothesis.

The first hypothesis is subdivided into the following hypotheses:

First sub-hypothesis:
There is no significant statistical effect of the internal variables (current accounts, equity, and bank size) on the rate of return on assets in Islamic banks at the level (\( \alpha \leq 0.05 \)).

The relationship between the rate of return on assets in Islamic banks as a dependent variable, current accounts, equity, and bank size can be represented as independent variables by the following:

\[ \text{ROA} = a + \beta_1 \text{CA} + \beta_2 \text{E} + \beta_3 \text{BS} + \epsilon \]

To test the previous hypothesis, we estimate this model using Panel EGLS. Using E-views, we obtained the results shown in Table 2.

#### Table 2: Results of testing the impact of internal variables on the rate of return on assets in Islamic banks for the period (2007-2016)

| Variable | Coefficient | Standard error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 0.000180    | 0.000216       | 0.83463     | 0.4089|
| E        | 0.001409    | 0.000298       | 5.275862    | 0.0000|
| BS       | 7.33E-07    | 1.92E-07       | 3.823295    | 0.0005|
| C        | 0.004171    | 0.001544       | 2.701246    | 0.0101|

### Weighted statistics

- R-squared: 0.264569
- Adjusted R-squared: 0.241661
- SE of regression: 1.041363
- F-statistic: 5.567635
- Prob. (F-statistic): 0.002739

C - represents the linear equation constant, which is called in the case of two variables in the vertical segment.

Table 2 shows that the effect of , Current Account, Equity and Bank Size (CA, E, BS) on the rate of return on assets is significant with a statistical significance level of 0.05. The calculated F value (5.567635) indicates a significant level of 0.05. On the fit of the proposed model to represent the relationship between variables (Prob. = 0.002739).

To test the previous hypothesis, we estimate this model using Panel EGLS. Using E-views, we obtained the results shown in Table 2.
The value of the coefficient of determination was (0.264569). This means that the previous independent variables combined explain (26.46%) of the variance in the dependent variable. Moreover, the values of the regression coefficient showed that the Equity and Bank Size have a significant statistically effect on the rate of return on assets where the probability (p-value) the values of parameters less than 0.05, and therefore the null hypothesis will be rejected and accept the alternative hypothesis, that there is a significant statistically effect at the level (α ≤ 0.05) of current accounts, equity, bank size on the rate of return on assets.

Second sub-hypothesis:
There is no significant statistically effect of the internal variables (current accounts, equity, bank size) on the rate of return on equity in Islamic banks.

The relationship between the rate of return on equity in Islamic banks as a dependent variable, Current Account, Equity and Bank Size (CA, E, BS) can be represented as independent variables by the following general linear model:

\[ \text{ROE} = a + \beta_1 \text{CA} + \beta_2 \text{E} + \beta_3 \text{BS} + e \]

To test the previous hypothesis, we estimate this model using Panel EGLS. Using E-views, we obtained the results shown in Table (3).

Table 3: Results of testing the effect of internal variables on the rate of return on equity in Jordanian Islamic banks for the period (2007-2016)

| Variable | Coefficient | Standard Error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 2.10E-10    | 1.01E-10       | 2.083000    | 0.0443|
| E        | 6.66E-10    | 1.27E-11       | 5.244094    | 0.0000|
| BS       | 8.94E-11    | 2.91E-13       | 3.071507    | 0.0038|
| C        | 0.037965    | 0.017403       | 2.181491    | 0.0351|

Weighted statistics

- R-squared: 0.411356
- Adjusted R-squared: 0.367208
- SE of regression: 1.030254
- F-statistic: 9.317690
- Prob. (F-statistic): 0.000085

The calculated value of F (9.31769) indicates a significant level of 0.05. On the appropriateness of the proposed model to represent the relationship between variables (Prob. = 0.000085).

The value of the determination coefficient was (0.411356), that is, the previous independent variables combined account for (41.13%) of the variance in the dependent variable.

The value of the determination coefficient was (0.411356), that is, the previous independent variables combined account for (41.13%) of the variance in the dependent variable.

In addition, the coefficient parameters showed that the equity and bank size have a statistically significant effect on the return on equity where the probability (p-value) at the values of the regression parameters is less than 0.05, so the null hypothesis will be rejected. We will accept the alternative hypothesis that there is a significant statistical effect of current accounts, equity, bank size (CA, E, BS) on the rate of return on equity at the level (α ≤ 0.05).

Third sub-hypothesis:
There is no significant statistical effect of the internal variables (current accounts, equity, bank size) on average earning per share in Islamic bank at the level (α ≤ 0.05) s.

The relationship between average earning per share in Islamic banks as a dependent variable, Current Account, Equity and Bank Size (CA, E, BS) can be represented as independent variables by the following general linear model:

\[ \text{EPS} = a + \beta_1 \text{CA} + \beta_2 \text{E} + \beta_3 \text{BS} + e \]

To test the previous hypothesis, we estimate this model using Panel EGLS.

Table (4) shows the impact of current accounts, equity, and bank size (CA, E, and BS) combined on the Earnings per share.

Table 4: Results of the test of the impact of internal variables on the share of net profit in the Jordanian Islamic banks for the period (2007-2016)

| Variable | Coefficient | Standard Error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 2.76E-11    | 2.66E-10       | 0.103696    | 0.9179|
| E        | 2.09E-09    | 8.43E-10       | 2.479241    | 0.0195|
| BS       | 9.45E-11    | 2.87E-11       | 3.292883    | 0.0044|
| C        | 0.014027    | 0.025046       | 0.560069    | 0.5786|

Weighted statistics

- R-squared: 0.468701
- Adjusted R-squared: 0.427886
- SE of regression: 1.042215
- F-statistic: 11.71983
- Prob. (F-statistic): 0.000012

The calculated F value (11.71983) indicates a significant level of 0.05. On the appropriateness of the model to represent the relationship between variables (Prob. = 0.000012).
The value of the coefficient of determination was (0.468701), which means that the previous independent variables combined explain (46.87%) of the variance in the dependent variable.

In addition, the values of the coefficient parameters showed the Equity and Bank Size have a significant statistical effect on average earning per shares and (p-value) is less than 0.05, and therefore will reject the null hypothesis and accept the alternative.

Test of second main hypothesis:
There is no statistical significant effect of the internal variables (current accounts, equity, and bank size) on the profitability of the commercial banks at the level (α ≤ 0.05).
The standard model of multiple linear regression test for cross-sectional time data was used to test the hypothesis.

The second hypothesis is subdivided into three sub-hypothesis
First sub-hypothesis:
There is no significant statistical effect of the internal variables (current accounts, equity, and bank size) on the rate of return on assets in commercial banks as a dependent variable, current accounts, equity, and bank size (CA, E, BS) can be represented as independent variables by the following:

\[ \text{ROA} = a + \beta_1 \text{CA} + \beta_2 \text{E} + \beta_3 \text{BS} + \varepsilon \]

To test the previous hypothesis, we estimate this model using Panel EGLS. Using E-views, we obtained the results below.

Table (6) shows that the effect of Current Account, Equity and Bank Size (CA, E, and BS) combined on the rate of return on equity are significant at level of 0.05.

The calculated value of F (13.21346) indicates a significant level of 0.05 the (Prob. = 0.000000).

The value of the coefficient of determination was (0.123327), that is, the independent variables combined account for (26.64. %) Of the variance in the dependent variable.

| Variable | Coefficient | Standard Error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 0.000220    | 8.88E-05       | 2.477963    | 0.0138|
| E        | 0.000629    | 0.001115       | 5.471067    | 0.0000|
| BS       | 1.33E-06    | 1.08E-07       | 12.26997    | 0.0000|
| C        | 0.001290    | 0.000817       | 1.578962    | 0.1155|

Weighted statistics
- R-squared: 0.417380
- Adjusted R-squared: 0.411182
- SE of regression: 0.003931
- F-statistic: 67.34020
- Prob. (F-statistic): 0.000000

Where the probability (p-value) of all coefficients is less than 0.05. However, there is a statistically significant effect at the level (α ≤ 0.05) of Current Account, Equity and Bank Size (CA, E, BS) on the rate of return on equity.

Table 5: Results of testing the impact of internal variables on the rate of return on assets in the traditional Jordanian banks for the period (2007-2016)

| Variable | Coefficient | Standard Error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 0.001409    | 0.000664       | 2.121988    | 0.0320|
| E        | 0.005834    | 0.000999       | 5.841519    | 0.0000|
| BS       | 6.94E-06    | 8.63E-07       | 8.050228    | 0.0000|
| C        | 0.017967    | 0.006571       | 2.734266    | 0.0066|

Weighted statistics
- R-squared: 0.266404
- Adjusted R-squared: 0.258599
- SE of regression: 1.002888
- F-statistic: 34.13586
- Prob. (F-statistic): 0.000000

Table 4: Results of testing the impact of internal variables on the rate of return on equity in the traditional Jordanian banks for the period (2007-2016)

Second sub-hypothesis:
There is no significant statistical effect at the level (α ≤ 0.05) of the internal variables (current accounts, equity, bank size) on the rate of return on equity in commercial banks.
The relationship between the rate of return on equity in commercial banks as a dependent variable, current accounts, equity, and bank size (CA, E, BS) can be represented as independent variables by the following general linear model:

\[ \text{ROE} = a + \beta_1 \text{CA} + \beta_2 \text{E} + \beta_3 \text{BS} + \varepsilon \]
To Test the Third sub-hypothesis of the second main hypotheses:

Third sub-hypothesis:
There is no significant statistical effect of the internal variables (current accounts, equity, and bank size) on average earning per share in commercial banks at the level \(\alpha \leq 0.05\).

The average earnings per share in commercial banks as a dependent variable, and the independent variables Current Account, Equity and Bank Size (CA, E, and BS) can be represented as a general linear model:

\[
\text{EPS} = a + \beta_1 \text{CA} + \beta_2 \text{E} + \beta_3 \text{BS} + e
\]

To test the previous hypothesis, we estimate this model using Panel EGLS. Using E-views, we obtained the results shown in Table below.

As seen in table (7) that the effect of Current Account, Equity and Bank Size (CA, E, and BS) combined on the average earnings per share is significant with a significance statistical level of 0.05.

The value of calculated \(F\) (69.32765) indicates a significant level of 0.05. On the suitability of the proposed model to represent the relationship between variables (Prob. = 0.000000).

The coefficient of determination value (0.424472), which means that the previous combined independent variables explain (42.44\%) of the variance in the dependent variable.

Therefore, the null hypothesis will be rejected and the alternative hypothesis accepted, which states that there is a statistically significant effect at the significance level \(\alpha \leq 0.05\) of Current Account, Equity and Bank Size (CA, E, BS) on the average earnings per share.

Table 7: Results of the test of the impact of internal variables on the share of net profit in the traditional Jordanian banks for the period (2007-2016)

| Variable | Coefficient | Standard error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 1.19E-10    | 1.71E-11       | 6.937960    | 0.0000|
| E        | 1.85E-10    | 2.75E-11       | 6.731855    | 0.0000|
| BS       | 4.70E-11    | 1.05E-11       | 4.481831    | 0.0000|
| C        | 0.121142    | 0.006622       | 18.29362    | 0.0000|

The third main hypothesis:
There are no significant statistical differences of the effect of internal variables (current accounts, equity, and bank size) on the profitability between Islamic banks and commercial banks of Jordan at the level \(\alpha \leq 0.05\).

This is subdivided into three sub hypotheses as follow:
First sub-hypothesis:
There are no significant statistical differences of the effect of internal variables (current accounts, equity, bank size) on the rate of return on assets between Islamic banks and commercial banks in Jordan at the significance level \(\alpha \leq 0.05\).

The bank is expressed as a DUMMY VARIABLE, the Islamic bank value is 1, while the commercial bank value is 0, the results were as follows:

Note that the value of the coefficient at the bank variable is equal (-0.003996), which is a statistically significant value where the value of (t-statistic = -2.334549) and a significant level (Prob = 0.0156) which is less than 0.05, which indicates that the classification of the bank Islamic or commercial It significantly affects the rate of return on assets and indicates differences in the effect of internal variables on the return on assets between Islamic banks and commercial banks.

Table 8: Results of testing the effect of internal variables on the rate of return on assets between Islamic banks and traditional Jordanian banks for the period (2007-2016)

| Variable | Coefficient | Standard error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | -2.04E-12   | 1.49E-12       | -1.371539   | 0.1712|
| E        | 4.77E-12    | 2.34E-12       | -2.03987    | 0.0428|
| BS       | 7.65E-13    | 9.63E-13       | -0.794271   | 0.4276|
| BANK     | -0.003996   | 0.001643       | -2.334549   | 0.0156|
| C        | 0.010384    | 0.000609       | 17.06241    | 0.0000|

R-squared 0.027390 Mean depe ndent var. 0.009673
Adjusted R-squared 0.015420 SD dependent var. 0.009139
SE of regression 0.009069 Akaike info criterion -6.552958
Sum squared resid 0.026728 Schwarz criterion -6.495396
Log likelihood 1086.238 Hannan-Quinn criter. -6.529997
F-statistic 69.32765 Durbin-Watson stat. 1.981515
(F-statistic ) 0.059772

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Second sub-hypothesis:
There are no significant statistical differences of the effect of internal variables (current accounts, equity, bank size) on the rate of return on equity between Islamic banks and commercial banks in Jordan at the significance level ($\alpha \leq 0.05$).

As shown from the result of statistical tests that the impact is not significant, and this result is consistent with economic expectations, saying that current account are similar in both banks. Because the commercial banks do not pay interest on current account, and the Islamic Banks do not deal with interest rate at all, so current account are same in both banks, and are a cheap resource for both. And can positively affect the profitability of commercial Banks and Islamic banks.

As mentioned in table no. 9, the value of the coefficient at the bank variable is (-0.010869), a value that is not significant, where the value (t-statistic = -0.880487) and the level of significance (Prob = 0.3793) which is greater than 0.05, which indicates that the classification of an Islamic or commercial bank does not significantly affect return on equity, and indicates that there are no differences in the impact of internal variables on the rate of return on equity between Islamic banks and commercial banks.

Third sub-hypothesis:
There are no significant statistical differences at the level ($\alpha \leq 0.05$) of the effect of internal variables (current accounts, equity, bank size) on the average earnings per share between Islamic banks and commercial banks in Jordan.

The value of the coefficient at the bank variable is (-0.040260), a value that is not significant, where the value (t-statistic = -1.52753) and the level of significance (Prob = 0.1163) which is greater than 0.05, which indicates that the classification of the bank Islamic or commercial does not have a significant impact on average earnings per share, and indicates that there are no differences in the impact of internal variables on average earnings per share between Islamic banks and commercial banks. a significant impact on the share of net profit, and indicates that there are no differences in the impact of internal variables on the share of net profit between Islamic banks and conventional banks.

4. DISCUSSION OF THE FINDINGS AND HYPOTHESES

Discussion of the first main hypothesis:
It was found that there is no significant effect between the financial performance represented by (ROA, EPS, ROE), and current accounts. This can be explained by the fact that current accounts are expensive for Islamic banks, where investment deposits constitute the majority of their external sources, which increases the cost of these deposits. Compared with demand deposits, therefore, increasing deposits is considered costly for Islamic banks, and this result is consistent with the study of (Al-Mashrawi, 2007), that if bank deposits increase, their cost increases, which leads to a decline in the financial performance of banks.

It was also found that there is a significant impact of Equity rights on the profitability of Islamic banks, and the researcher believes that this result is logical and consistent with the recognized financial literature, that is, Equity rights constitute the self-resources of Islamic banks through which the bank begins to practice its activity, and it represents a wall or barrier that prevents any unexpected loss that the bank may be exposed to from affecting depositors’ money, therefore, the Basel Committee has set capital adequacy rates, the numerator of

Table 9: Results of the test of the impact of internal variables on the rate of return on equity between Islamic banks and traditional Jordanian banks for the period (2007-2016)

| Variable | Coefficient | Standard Error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | -1.68E-11   | 1.3E-11        | -1.479016   | 0.1401|
| E        | -6.61E-12   | 1.7E-11        | -0.370995   | 0.7109|
| BS       | 1.24E-11    | 7.3E-12        | 1.698013    | 0.0905|
| BANK     | -0.010869   | 0.012494       | -0.880487   | 0.3793|
| C        | 0.082175    | 0.004628       | 17.75571    | 0.0000|
| R-squared| 0.010612    | Mean dependent variance | 0.080233 | 0.068908|
| Adjusted |             | SD dependent variance |         |       |
| R-squared| -0.001565   | Akaike info criterion | -2.495499 |       |
| SE of regression | 0.068962 | Schwarz criterion | -2.437937 |       |
| Sum squared resid. | 1.545603 |               |           |       |
| Log likelihood | 416.7573 | Hannan-Quinn criter. | -2.472538 |       |
| F-statistic | 0.871503 | Durbin-Watson stat. | 1.966881 |       |
| Prob. (F-statistic) | 0.481217 |                  |           |       |

Table 10: Results of the test of the impact of internal variables on the share of net profit between Islamic banks and Jordanian traditional banks for the period (2007-2016)

| Variable | Coefficient | Standard Error | t-Statistic | Prob. |
|----------|-------------|----------------|-------------|-------|
| CA       | 1.09E-10    | 2.32E-11       | 4.700843    | 0.0000|
| E        | -1.83E-10   | 3.65E-11       | -5.019980   | 0.0000|
| BS       | -4.01E-11   | 1.5E-11        | -2.678335   | 0.0078|
| BANK     | 0.040260    | 0.025566       | 1.527530    | 0.1163|
| C        | 0.127111    | 0.009470       | 13.42260    | 0.0000|
| R-squared| 0.230913    | Mean dependent variance | 0.165209 |       |
| Adjusted | 0.221447    | SD dependent variance | 0.159923 |       |
| SE of regression | 0.141109 | Akaikes information criterion | -1.063535 |       |
| Sum squared resid. | 6.471302 | Schwarz criterion | -1.005973 |       |
| Log likelihood | 180.4833 | Hannan-Quinn criterion | -1.040575 |       |
| F-statistic | 24.39469 | Durbin-Watson statistic | 1.958894 |       |
| Prob. (F-statistic) | 0.000000 |                  |           |       |
Discussion of the third hypothesis:

The existence of statistically significant differences on the effect of internal variables and internal variables on the rate of return on assets between Islamic banks and conventional banks is attributed to the low financing and investment income of Islamic banks compared to conventional banks that depend on the fixed interest rate to achieve their revenues.

Also, due to the low commission income of Islamic banks and the lack of diversification of the areas of banking services provided by them, and this result is consistent with the study (Al Sroji, 2004).

The results of a study conducted in the Arab Gulf states that conventional banks achieve higher profitability than Islamic banks, within the measurement of financial performance index (ROA).

The rate of return on equity, which is a percentage of the profitability ratio, i.e., represents the return on shareholders’ investment from banks.

This indicates better performance, due to the absence of statistically significant differences on the impact of internal variables on the rate of return on equity between Islamic banks and conventional banks to use both types of banks for their own resources to make profits.

Earnings per share are an indicator measured by dividing the net profit after tax by the number of shares traded. This indicator is used to know the per share of net profit. It measures the share of earnings per share as a result of employing the economic resources of the bank and increasing this percentage indicates better financial performance of the bank.

The absence of statistically significant differences is due to the impact of internal variables on the share of net profit between Islamic banks and conventional banks due to the convergence between the share of net earnings per share of both Islamic banks and conventional banks. Especially after the global financial crisis (2008) and directed by them to acquire this stock because of the existence of religious motivation they have.

5. RESULTS OF STATISTICAL ANALYSIS AND CONCLUSION

1. The study shows that there are significant differences in the effect of internal variables on the rate of return on assets between Islamic banks and conventional banks, due to the diversity of investments and financing methods in conventional banks. And their dependence on a fixed rate of interest.

2. The study found that there were no significant differences for the effect of internal variables on the share of net earnings per share between Islamic banks and conventional banks. This is due to the convergence between the share of net profit in Islamic banks and conventional banks, and thus good performance of those banks.

3. The study showed no significant differences for the effect of internal variables on the rate of return on equity between Islamic banks and conventional banks, which means the ability of Islamic banks to compete in the Jordanian banking market, despite the small size of their total assets compared to conventional banks.
In the light of the previous results, the study concluded with many recommendations, the most important of which are that Islamic banks should improve their financial performance and strive for excellence and development in their activities.

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