

DETERMINANTS OF BANK CREDIT IN JORDAN AND PALESTINE: A COMPARATIVE STUDY

DOI: 10.17261/Pressacademia.2023.1856

PAP- V.18-2023(14)-p.76-77

Ruba Dirani¹, Mohammad Khataibeh², Ghassan Omet³¹University of Jordan, Finance Department, Amman, Jordan.rubamoh89@gmail.com, ORCID: 0009-0008-5388-0917²University of Jordan, Finance Department, Amman, Jordan.khataibeh@ju.edu.jo, ORCID: 0000-0003-3599-903X³University of Jordan, Finance Department, Amman, Jordan.gomet@ju.edu.jo, ORCID: 0000-0002-0163-1387**To cite this document**

Dirani, R., Khataibeh, M., Omet, G., (2023). Determinants of bank credit in Jordan and Palestine: a comparative analysis. PressAcademia Procedia (PAP), V.18, 76-77.

Permanent link to this document: <http://doi.org/10.17261/Pressacademia.2023.1856>

Copyright: Published by PressAcademia and limited licensed re-use rights only.

ABSTRACT

Purpose- This paper analyzes the determinants of the annual changes in conventional banks' credit in Jordan and Palestine. In addition, the paper examines whether the differences in the determinants of bank credit in both economies are due to country or bank-specific factors. As one might expect, the argument behind this paper rests on the fact that the Israeli occupation of Palestine makes the political and economic environments of the two countries very different.

Methodology- A panel of data of all thirteen (13) Jordanian conventional banks and 12 Palestinian conventional banks are used in the econometric analyses (2010 – 2021). For each set of banks, the annual percentage changes in credit are regressed on the percentage annual change in bank deposits, equity is equity capital, bank size, and bank income diversification level. Following this exercise, the differences in of both sets of coefficients are examined using the F-test. If different, one can argue that the difference can be due to the differential effects of either bank-level differences or country-level differences. To examine this issue, we re-estimate the main model by controlling for the presence of fixed effects in the bank credit relationship and re-estimate the F-test. If the F test is significant, this implies that the differences in the magnitude of the relationship are due to country factors and not to bank-specific factors.

Findings- Based on the estimated results, several interesting observations are noted. First, there are differences in the determinants of the annual change in bank credit between banks in Jordan and in Palestinian in terms of the signs of the independent variables and their values. Second, the significant differences in the determinants of the annual change in bank credit between banks in Jordan and in Palestinian are due to country-specific factors and not the bank-specific factors. Finally, given the differences in the political and economic environments in which banks in Jordan and Palestine operate, one should not be surprised of the main finding of this thesis.

Conclusion- It would be informative to examine the performance of both sets of banks in terms of other issue including the determinants of cost of intermediation, stability, bank discipline, and bank competition.

Keywords: Jordan, Palestine, banks, credit growth, equity capital, seemingly-unrelated regression.**JEL Codes:** G20, G21, G24**REFERENCES**Aghughu, A. A., Alenoghena, R. O., & Amase, J. (2022). Government domestic borrowing and private credit in Nigeria: Testing the lazy bank hypothesis. *Journal of Economics and Sustainable Development*, 13(7), 52–62.Akinlo, A. E., and Oni, I. O. (2015). Determinants of bank credit growth in Nigeria 1980-2010. *European Journal of Sustainable Development*, 4(1), 23-23.Al-Kilani, Q. A., and Kaddumi, T. A. (2015). Cyclicalities of lending behavior by banking sector for the period (2000-2013): Evidence from Jordan. *International Journal of Economics and Finance*, 7(4), 57-71.Ayieyo, J. O. (2016). Determinants of lending behavior in selected commercial banks in Kenya. *International Journal of Economics, Commerce and Management*, 14(9), 767-782.Chernykh, L., and Theodossiou, A. K. (2011). Determinants of bank long-term lending behavior: Evidence from Russia. *Multinational Finance Journal*, 15(3/4), 193-216.

Guo, K., and Stepanyan, V. (2011). Determinants of Bank Credit in Emerging Market Economies. International Monetary Fund Working Paper, European Department, No. WP/11/51.

Levine, R. (2005). Finance and growth: theory and evidence. Handbook of Economic Growth, 1, 865-934.

Ranadi, K., Hesaie, J., Vosamacala, S., Kabir, M.N., Miah, M.D. and Sharma, P. (2021). Determinants of bank lending in PICs. Griffith University–South Pacific Central Banks Joint Policy Research Working 19.

Tomak, S. (2013). Determinants of commercial banks' lending behavior: Evidence from Turkey. Asian Journal of Empirical Research, 3(8), 933-943.

Zhang, M., Brookins, O. T., & Huang, X. (2022). The crowding out effect of central versus local government debt: Evidence from China. Pacific-Basin Finance Journal, 72, 216-231.