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Financial Risk, Liquidity Risk and their Effect on the Listed Jordanian Islamic Bank's Performance

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Abstract

The Islamic Banking Industry is growing fast in Jordan, and occupying important status in the global financial position. So the present study focused on illustrate this importance through studying the effect of Financial risk and Liquidity risk on the Listed Jordanian Islamic Bank's Performance, on the other words effect of the total liabilities to equity (LTE), and cash to deposit (CTD) on the listed Jordanian Islamic Bank's return on investment (ROI), because the growing market request and concern given to the Islamic banking and finance industry has sent the research interest in this area as well.

The main contribution of the current study is to display the effect of two serious types of risks jointly on the performance of one of the most modern and vital sector in Jordan, known Islamic Banks. This is due that the Islamic banks' asset and liabilities parts have singular risk attributes.

The study applied statistical tests such as Correlation of residual value through Breusch-Godfrey, Variance of the residual and Regression analysis, and some other techniques to reach the study results during the period from 2010 to 2015.

The analysis results not accept the first null hypotheses, and accept the alternative hypotheses, so there is a significant effect of total liabilities to equity (LTE) separately on the listed Jordanian Islamic Bank's return on investment (ROI), but accept the second null hypotheses that there is no significant effect of cash to deposit (CTD) separately on the listed Jordanian Islamic Bank's return on investment (ROI), and finally not accept the main null hypotheses, and accept the alternative hypotheses that there is a significant effect of financial risk and liquidity risk jointly on listed Jordanian Islamic Bank's performance.

Keywords: Financial Risk, liquidity Risk, Performance, and Amman Stock Exchange (ASE).

1. Introduction

Islamic finance, widely considered as one of the fastest-growing sectors of global finance. So identifying the factors that influence Islamic Banks success is one of the most important subjects that attract the interest of researchers in the financial area, for this there is a need

to recognize a set of internal and external factors that have statistically significant impact on the Islamic Banks performance.

Banks' profitability and performance is the road to economic expansion; the strength of most manufactures depends on the available finance supplied within the economy by the banks to simplify activities and transactions. (Alkhazaleh, 2017)

Capital structure is a finance style indication, commonly a mix of the loan and equity capital, over which a company is financed. It has been an enjoyable matter for many researchers, in which they tried to determine the relation between capital structure and the firm performance. It is very important for managers and fund suppliers to take a decision of how to finance a firm. If financing is achieved by exercising a wrong set of debt and equity, a negative influence will result on a performance. So the capital structure decision occupied substantial place in the performance of a firm. Thus, there have been many surveys investigating the relationship of capital structure with the firm performance. (Siddik, et al., 2017)

Financial service managers also interested in the risk of not having adequate cash and borrowing capacity to face customer withdrawals, loan demand, and other cash needs. Faced with liquidity risk a financial firm may be obliged to borrow emergency funds at too much cost to cover its instant cash need, decreasing its earnings. (Rose & Hudgins, 2010). On the other hand, Profitability and liquidity are most important component of business which supply with full information of business operating. Profitability and liquidity are used jointly for long term in each business for powerful work and promotion in the business both liquidity and profitability are parallel to one another. (MAQSOOD, 2016)

It is on this introduction that this paper is conducted to define how profitability in the Islamic Banking industry function in economic development in Jordan through its effects by financial risk and liquidity risk

2. Previous Studies

The relationship between liquidity management and profitability was presented by (Aziz, et al., 2017) study which applied in one of the most important Islamic banks in Kurdistan Region of Iraq, Cihan Bank for Islamic Investment and Finance P.S.C, and covered the period from 2009 to 2015. It investigated the bank's effectiveness in using its liquid assets in generating positive net income through its liquidity ratios and liquidity management system. Also, it examined bank's financial position through profitability ratios. The results showed that better management of liquidity is associated with better profitability. Also, there is a negative relationship between liquidity and profits in Cihan bank

The effect of the liquidity ratio to total deposits, the legal liquidity ratio to the return on assets, and the return on equity on data extracted from the annual reports for Jordan Islamic Bank and the Islamic International Arab Bank, furthermore depending on the bank's size and the rate of indebtedness was presented by (Obeidat, et al., 2017) study which used descriptive analytical approach depending on quantitative data, and covered the period from 2008 to 2014. The results concluded a significant impact of liquidity risk on the banks' performance presented by return on assets (ROA) and the return on equity (ROE), also the results found a significant impact of the liquidity risks measures jointly on banks' performance expressed by ROA and ROE relying on the bank's size moreover.

The relationship between financial risk and performance was investigated by (Al-Tamimi, et al., 2015) study; the paper applied on data were obtained from the Bankscope database on 11 of the 47 Islamic banks of the Gulf Cooperation Council region, and covered the period from 2000 to 2012. ROA and ROE were used as a performance measures. Credit risk, liquidity risk, operational risk, and capital risk were used as a financial risk measures. The results showed a significant negative relationship between the Gulf Cooperation Council Islamic banks' performance, capital risk and operational risk. As well a negative relationship found between Gulf Cooperation Council Islamic banks' performance. Also, the conclusions found that the most important form of risk is capital risk, then operational risk.

The relationship between profitability which measured by Return on Asset (ROA) and liquidity which measured by cash to total assets, investment to total assets and net advances to total assets was presented by (Maqbool, 2014) study which applied on the full-fledged Islamic banks in Pakistan. Also the study had analyzed the panel data through simple regression analysis. The resultss revealed that liquidity has opposite relationship with the profitability of Islamic banks.

The effect of capital structure on; Jordan Islamic Bank (JIB) and Islamic International Arab bank performance was studied by (Rajha & Alslehat, 2014). The study applied on the period from 1998 to 2012, using multiple regression model. The capital structure was expressed by equity ratio, total assets, ratio of financing to total assets, ratio of liquid assets of total asset and concentration ratio. The performance was measured using a scale Tobin Q. The results concluded a positively influence equity ratio, total assets and ratio of financing to total assets on performance. And the concentration Ration "Index Hervndal" had negative effect on performance, and there is no influence of the ratio of liquid assets of total asset on the Jordanian Islamic banks performance.

The effect of liquidity expressed by: cash & due from banks to total assets, cash & due from banks to total deposits, investment to total assets and investment to total deposits on five Islamic banks profitability expressed by: return on assets, return on equity and return on deposits was investigated by (Rasul, 2013) study for the period from 2001 to 2011,
The results revealed that cash & due from banks to total assets is insignificant with all profitability variables, whereas cash & due from banks to total deposits is individually significant with all profitability variables excluding return on equity. Otherwise investment to total assets and investment to total deposits are found significant with all profitability variables.

3. Generating Hypotheses

Main Hypothesis

H_{01}: There is no significant effect of financial risk and liquidity risk on listed Jordanian Islamic Bank's performance

Sub Hypothesis

H_{11}: There is no significant effect of total liabilities to equity (LTE) on the listed Jordanian Islamic Bank's return on investment (ROI)

H_{21}: There is no significant effect of cash to deposit (CTD) on the listed Jordanian Islamic Bank's return on investment (ROI)

4. Research Methodology

The present investigation attempts to find the effect of financial risk measured by total liabilities to equity (LTE) separately on the Listed Jordanian Islamic Bank's Performance measured by return on investment (ROI), and the effect of liquidity risk measured by cash to deposit (CTD) separately on the Listed Jordanian Islamic Bank's Performance measured by return on investment (ROI), and finally the effect of financial risk measured by total liabilities to equity (LTE) and liquidity risk measured by cash to deposit (CTD) jointly on the Listed Jordanian Islamic Bank's Performance measured by return on investment (ROI).

The population consisted of all listed Islamic Banks at Amman Stock Exchange (ASE) for the period from 2010 to 2015. The financial data will be obtained from the database of Amman Stock Exchange (ASE) available online during the period of the investigation.

Also, the study will apply quantitative techniques by using the (Eviews) software. Stability diagnostics, Recursive estimates, Cusum test, Vector auto regression (VAR) model, Ordinary lease square (OLS), Wald coefficient test, Correlation of residual value through Breusch-Godfrey, Variance of the residual and Regression analysis.

4.1. The Research Sample

This study depends on the financial data founded in financial reports for all listed Jordanian Islamic Banks for period from 2010 to 2015.

4.2. Variables of the Study

4.2.1. Dependent Variable_ Return on Investment (ROI)

Return on Investment (ROI): measures the profit or loss produced from an investment comparative to the amount of money invested. It is usually presented as a percentage and is usually used for personal financial decisions, to evaluate a company's profitability or to evaluate the investments efficiency.

It's calculated as:

ROI = (Net Income / Investment Cost) x 100 (http://www.investinganswers.com)

4.2.2. Independent Variables – Total Liabilities to equity (LTE), Cash to Deposit (CTD)

Total Liabilities to Equity (LTE): measures amount of debt and equity is being used to finance a company's assets. It's considered a key financial metric because it indicates potential financial risk.

It's computed as follows:

$$\frac{\text{Total Liabilities}}{\text{Total Equity}}$$ (http//:www.investopedia.com)

Cash to Deposit (CTD): reflects how much a bank borrows out of the deposits it has gathered. It measures how much of a bank's substance funds are being utilized for borrowing, the main banking activity. It can also be defined as total of cash in hand and balance.

It's computed as:

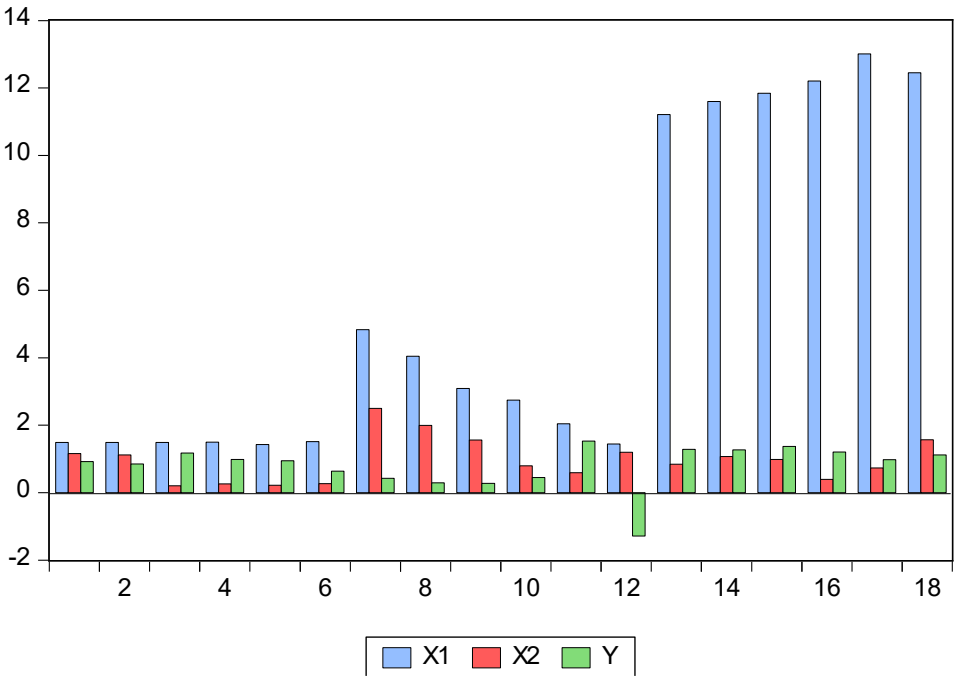
Cash - Deposit Ratio (%) = Cash in Hand +Balances with RBI/ Total Deposits

(Goel & Kumar, 2016)

5. Data Analysis and Results

5.1 Variables

Figure 1



Where:
X1: Total Liabilities to equity (LTE)
X2: Cash to Deposit (CTD)
Y: Return on Investment (ROI)

5.2 Stability of return on investment (ROI)

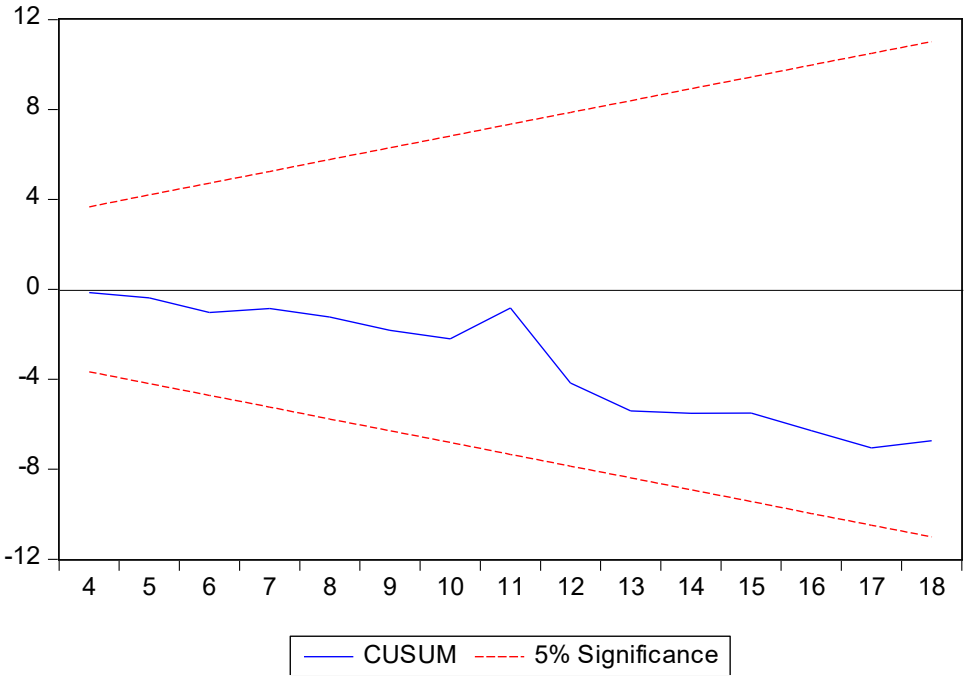
Table 1:
Dependent Variable: Return on Investment (ROI)
Least Squares
07/21/17 at 11:54
Sample: 1 18
Observations: 18

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.874678	0.275345	3.176661	0.0063
X1	0.060644	0.027832	2.178951	0.0457
X2	-0.421460	0.211570	-1.992059	0.0649

R-squared	0.343636	Mean dependent var	0.800778
Adjusted R-squared	0.256121	S.D. dependent var	0.642137
S.E. of regression	0.553833	Akaike info criterion	1.807103
Sum squared resid	4.600959	Schwarz criterion	1.955499
Log likelihood	-13.26393	Hannan-Quinn criter.	1.827565

F-statistic	3.926589	Durbin-Watson stat	2.563940
Prob(F-statistic)	0.042519		

Figure 2. Stability of Return on Investment (ROI)



Stability results show that the midst blue line between the two red lines, indicating that return on investment (ROI) is stable.

5.3 Vector auto regression (VAR) model

Table 2: Vector Autoregression Estimates
07/21/17 at 12:17
Sample (adjusted): 3 18
Observations: 16 after adjustments
Standard errors in ( ) & t-statistics in [ ]

	Y	X1	X2
Y(-1)	-0.393638	-3.699215	-0.280251
	(0.31359)	(0.78178)	(0.35851)
	[-1.25527]	[-4.73180]	[-0.78171]
Y(-2)	1.250288	1.815325	-1.229428
	(0.67805)	(1.69038)	(0.77518)
	[1.84394]	[1.07392]	[-1.58600]
X1(-1)	0.344014	1.518575	-0.180913
	(0.13518)	(0.33701)	(0.15454)

	[2.54485]	[4.50609]	[-1.17062]
X1(-2)	-0.342879	-0.506345	0.269505
	(0.17407)	(0.43395)	(0.19900)
	[-1.96981]	[-1.16683]	[1.35429]
X2(-1)	-0.525649	-1.884550	0.495345
	(0.29499)	(0.73540)	(0.33724)
	[-1.78193]	[-2.56261]	[1.46881]
X2(-2)	0.830859	0.234242	-0.988818
	(0.44958)	(1.12081)	(0.51398)
	[1.84806]	[0.20899]	[-1.92383]
C	-0.423923	3.232950	2.313725
	(0.93294)	(2.32583)	(1.06658)
	[-0.45439]	[1.39002]	[2.16929]
R-squared	0.550339	0.946367	0.402195
Adj. R-squared	0.250566	0.910612	0.003658
Sum sq. resids	3.143629	19.53777	4.108736
S.E. equation	0.591009	1.473385	0.675667
F-statistic	1.835849	26.46785	1.009177
Log likelihood	-9.685331	-24.30110	-11.82723
Akaike AIC	2.085666	3.912638	2.353404
Schwarz SC	2.423674	4.250645	2.691411
Mean dependent	0.790125	6.026625	0.949000
S.D. dependent	0.682696	4.928058	0.676906
Determinant resid covariance (dof adj.)		0.200868	
Determinant resid covariance		0.035750	
Log likelihood		-41.45944	
Akaike information criterion		7.807430	
Schwarz criterion		8.821453	

The above analysis shows 3 regression models with 7 coefficients for each

Y = C(1)*Y(-1) + C(2)*Y(-2) + C(3)*X1(-1) + C(4)*X1(-2) + C(5)*X2(-1) + C(6)*X2(-2) + C(7)

X1 = C(8)*Y(-1) + C(9)*Y(-2) + C(10)*X1(-1) + C(11)*X1(-2) + C(12)*X2(-1) + C(13)*X2(-2) + C(14)

X2 = C(15)*Y(-1) + C(16)*Y(-2) + C(17)*X1(-1) + C(18)*X1(-2) + C(19)*X2(-1) + C(20)*X2(-2) + C(21)

The analysis has to answer the following queries

- *Is of total liabilities to equity (LTE) significant to explain return on investment (ROI)?*

- *Is cash to deposit (CTD) significant to explain return on investment (ROI)?*
- *Are total liabilities to equity (LTE), and cash to deposit (CTD) jointly significant to explain return on investment (ROI)?*

The analysis has to make sure if each independent variable is significant to interpret its coefficient. As first, if the t-test of each coefficient for each independent variable is less than 0.05, indicating that the independent variable is significant to interpret the coefficient. So the vector auto regression model above shows that the independent variable X2 is not significant to interpret Y(-2), in order that t-test is-0.78171 less than 0.05, moreover the independent variable X1 is significant to interpret X2(-1), in order that t-test is -2.56261 less than 0.05, also the independent variable Y is significant to interpret X2(-1), in order that t-test is -1.78193less than 0.05. Furthermore, the all other independent variables are not significant to interpret their coefficients, in order that their t-test is more than 0.05.

For the sake of making sure that each independent variable is significant to interpret its coefficient, then solving the above queries, the Least Squares analysis should used to know the P-value

Table 3: Least Squares
07/21/17 at 12:40
Sample: 3 18
Observations: 16
Total system (balanced) observations 48

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.393638	0.313589	-1.255268	0.2201
C(2)	1.250288	0.678051	1.843945	0.0762
C(3)	0.344014	0.135181	2.544849	0.0170
C(4)	-0.342879	0.174067	-1.969814	0.0592
C(5)	-0.525649	0.294988	-1.781934	0.0860
C(6)	0.830859	0.449584	1.848062	0.0756
C(7)	-0.423923	0.932945	-0.454392	0.6532
C(8)	-3.699215	0.781777	-4.731804	0.0001
C(9)	1.815325	1.690378	1.073916	0.2924
C(10)	1.518575	0.337005	4.506090	0.0001
C(11)	-0.506345	0.433948	-1.166833	0.2535
C(12)	-1.884550	0.735404	-2.562606	0.0163
C(13)	0.234242	1.120811	0.208993	0.8360
C(14)	3.232950	2.325829	1.390021	0.1759
C(15)	-0.280251	0.358508	-0.781715	0.4412
C(16)	-1.229428	0.775176	-1.585998	0.1244
C(17)	-0.180913	0.154544	-1.170624	0.2520
C(18)	0.269505	0.199000	1.354294	0.1869
C(19)	0.495345	0.337243	1.468809	0.1534
C(20)	-0.988818	0.513983	-1.923834	0.0650
C(21)	2.313725	1.066582	2.169288	0.0390

Determinant residual covariance		0.035750	

Equation: Y = C(1)*Y(-1) + C(2)*Y(-2) + C(3)*X1(-1) + C(4)*X1(-2) + C(5)*X2(
-1) + C(6)*X2(-2) + C(7)
Observations: 16

R-squared	0.550339	Mean dependent var	0.790125
Adjusted R-squared	0.250566	S.D. dependent var	0.682696
S.E. of regression	0.591009	Sum squared resid	3.143630
Durbin-Watson stat	2.391601		

Equation: X1 = C(8)*Y(-1) + C(9)*Y(-2) + C(10)*X1(-1) + C(11)*X1(-2) +
C(12)*X2(-1) + C(13)*X2(-2) + C(14)
Observations: 16

R-squared	0.946367	Mean dependent var	6.026625
Adjusted R-squared	0.910612	S.D. dependent var	4.928058
S.E. of regression	1.473385	Sum squared resid	19.53777
Durbin-Watson stat	1.611789		

Equation: X2 = C(15)*Y(-1) + C(16)*Y(-2) + C(17)*X1(-1) + C(18)*X1(-2) +
C(19)*X2(-1) + C(20)*X2(-2) + C(21)
Observations: 16

R-squared	0.402195	Mean dependent var	0.949000
Adjusted R-squared	0.003658	S.D. dependent var	0.676906
S.E. of regression	0.675667	Sum squared resid	4.108736
Durbin-Watson stat	2.335072		

One more time, the current investigation should approve that each independent variable is significant to interpret its coefficient. At first, if the t-test of each coefficient for each independent variable is less than 0.05, indicating that the independent variable is significant to interpret the coefficient. So the vector auto regression model above shows that X1(-1) is significant to interpret the return on investment (ROI), in order that X1(-1) is connected with C(10), returning to the related P-value for C(11), it is 0.0001 less than 0.05, indicating that X1(-1) is significant to interpret the return on investment (ROI). Also Y(-1) is significant to interpret the return on investment (ROI), in order that Y(-1) is connected with C(8), returning to the related P-value for C(8), it is 0.0001 less than 0.05, indicating that Y(-1) is significant to interpret the return on investment (ROI). Moreover, the all other variables are not significant to interpret the return on investment (ROI), in order that their corresponding P-value is more than 0.05.

Wald Test will approve that some couples from two variables total liabilities to equity (LTE), and cash to deposit (CTD) are jointly can influence the dependent variable return on investment (ROI), and null hypothesis will tested:

Table 4: Wald Test

Test Statistic	Value	df	Probability
Chi-square	9.470578	2	0.0088

Null Hypothesis: C(3)=C(4)=0
Null Hypothesis Summary:

Normalized Restriction (= 0)	Value	Std. Err.
C(3)	0.344014	0.135181
C(4)	-0.342879	0.174067

Restrictions are linear in coefficients.

X1(-1) and X1(-2) are connected with C(3) and C(4) respectively, returning to related P-value for them is 0.0088 less than 0.05, but not equals 0, means not accept null hypothesis, owing to that C(3) and C(4) is not zero, so X1(-1) and X1(-2) can jointly effect dependent return on investment (ROI).

Table 5: Wald Test

Test Statistic	Value	df	Probability
Chi-square	7.205535	2	0.0272

Null Hypothesis: C(11)=C(12)=0
Null Hypothesis Summary:

Normalized Restriction (= 0)	Value	Std. Err.
C(11)	-0.506345	0.433948
C(12)	-1.884550	0.735404

Restrictions are linear in coefficients.

X1(-2) and X2(-1) are connected with C(11) and C(12) respectively, returning to the related P-value for them is 0.0272 less than 0.05, but not equals 0, means not accept null hypothesis with reason that C(11) and (12) is not zero, so X1(-2) and X2(-1) can jointly effect return on investment (ROI) .

5.4 Regression

5.4.1Residual value

Table 6:

obs	Actual	Fitted	Residual	Residual Plot
1	0.92000	0.47831	0.44169	| . | *. |
2	0.85200	0.49258	0.35942	| . | * . |
3	1.17100	0.87780	0.29320	| . | * . |
4	0.98400	0.85462	0.12938	| . |* . |
5	0.94400	0.86868	0.07532	| . |* . |
6	0.63900	0.85475	-0.21575	| . *| . |
7	0.42100	0.11503	0.30597	| . | * . |
8	0.29200	0.27773	0.01427	| . * . |
9	0.27800	0.40399	-0.12599	| . *| . |
10	0.44900	0.70452	-0.25552	| . * | . |
11	1.52700	0.75046	0.77654	| . | .* |
12	-1.29000	0.45794	-1.74794	|* . | . |
13	1.28200	1.20042	0.08158	| . |* . |
14	1.27000	1.12611	0.14389	| . |* . |
15	1.37500	1.17878	0.19622	| . |* . |
16	1.20600	1.44921	-0.24321	| . * | . |
17	0.97700	1.35347	-0.37647	| .* | . |
18	1.11700	0.96963	0.14737	| . |* . |

The middle line is the fitted line (regression/ estimated/ predicted line), the residual is the difference between the actual and fitted values. In the right of this line are positive residuals, but in the left the negative residuals. When we summed up we get zero on average. This residual creates most of the problem in the regression. It should be managed to become a good model. This residual should not be serially correlated, and should be normally distributed.

5.4.1.1 Correlation of residual value

Table 7: Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.013999	Prob. F(2,13)	0.3897
Obs*R-squared	2.429063	Prob. Chi-Square(2)	0.2968

Table 8:Test Equation:

Dependent Variable: RESID
Method: Least Squares
Date: 07/21/17 Time: 17:43
Sample: 1 18
Included observations: 18
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	0.169022	0.314926	0.536703	0.6005
X1	-0.025211	0.033802	-0.745839	0.4690
X2	-0.032502	0.219335	-0.148186	0.8845
RESID(-1)	-0.462277	0.326749	-1.414778	0.1806
RESID(-2)	-0.160931	0.312494	-0.514990	0.6152

R-squared	0.134948	Mean dependent var	-2.34E-16
Adjusted R-squared	-0.131222	S.D. dependent var	0.520235
S.E. of regression	0.553317	Akaike info criterion	1.884360
Sum squared resid	3.980069	Schwarz criterion	2.131686
Log likelihood	-11.95924	Hannan-Quinn criter.	1.918463
F-statistic	0.506999	Durbin-Watson stat	1.937432
Prob(F-statistic)	0.731604		

Because the probability value is 0.2968 which is more than 0.05, that means accept the null hypotheses, which is: Residuals are not correlated, means not serially correlated, which is desirable, and a good indicator.

5.4.1.2 Variance of the residual

Table 9: Heteroskedasticity Test: Breusch-Pagan-Godfrey

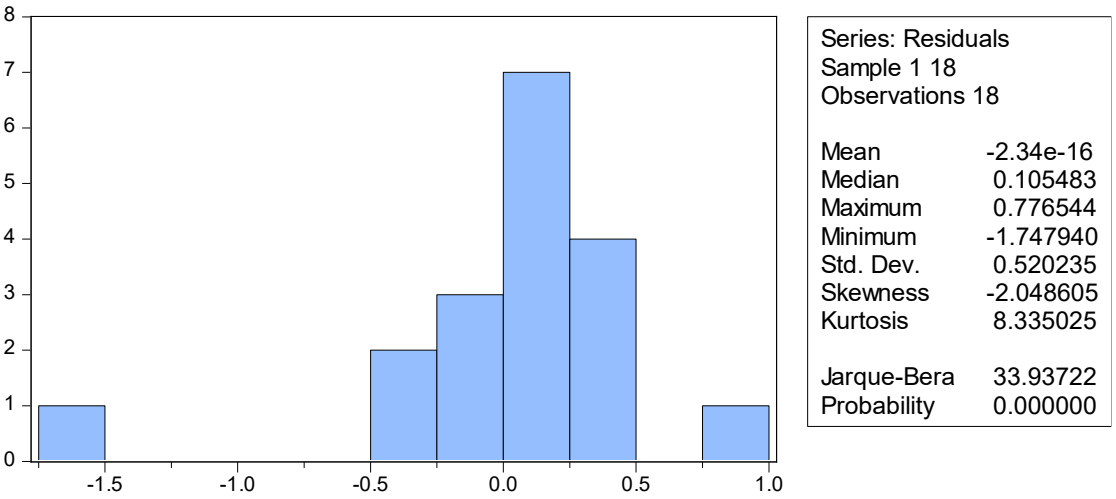
F-statistic	0.577794	Prob. F(2,15)	0.5731
Obs*R-squared	1.287516	Prob. Chi-Square(2)	0.5253
Scaled explained SS	3.279154	Prob. Chi-Square(2)	0.1941

Table 10:Test Equation:
Dependent Variable: RESID^2
Least Squares
07/21/17 at 18:00
Sample: 1 18
Observations: 18

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.367559	0.363287	1.011757	0.3277
X1	-0.038348	0.036721	-1.044316	0.3129
X2	0.102922	0.279143	0.368706	0.7175

R-squared	0.071529	Mean dependent var	0.255609
Adjusted R-squared	-0.052268	S.D. dependent var	0.712342
S.E. of regression	0.730721	Akaike info criterion	2.361442
Sum squared resid	8.009297	Schwarz criterion	2.509837
Log likelihood	-18.25297	Hannan-Quinn criter.	2.381903
F-statistic	0.577794	Durbin-Watson stat	1.616116
Prob(F-statistic)	0.573144		

Because the probability value is 0.05253 which is more than 0.05, that means accept the null hypotheses, which is: Variance of the residual is homoscedastic, meaning that this model is good because the residuals are homoscedastic not hetroskedastic. This is a good sign for this model, because hetroskedasticity is not desirable.



5.4.1.3 Residual distribution

Figure 3: Residual distribution

Because the probability value is 0.0000 which is less than 0.05, that means not accept the null hypotheses, which are: Residual follows normal distribution, and accepts the alternative hypotheses, which is: Residual is not normally distributed, which is not desirable, and this is a bad sign for this model.

5.4.2 Hypotheses Testing

Table 11: Return on investment (ROI)

Least Squares
07/21/17 at 16:59
Sample: 1 18
Observations: 18

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.874678	0.275345	3.176661	0.0063
X1	0.060644	0.027832	2.178951	0.0457
X2	-0.421460	0.211570	-1.992059	0.0649

R-squared	0.343636	Mean dependent var	0.800778
Adjusted R-squared	0.256121	S.D. dependent var	0.642137
S.E. of regression	0.553833	Akaike info criterion	1.807103
Sum squared resid	4.600959	Schwarz criterion	1.955499
Log likelihood	-13.26393	Hannan-Quinn criter.	1.827565
F-statistic	3.926589	Durbin-Watson stat	2.563940
Prob(F-statistic)	0.042519		

While R-squared is0.343636 less than 0.60 meaning that the data of this model is not fitted strongly, it means that 0.343636 percent variation in the return on investment (ROI) can be explained jointly by total liabilities to equity (LTE), and cash to deposit (CTD), the rest percent variation in return on investment (ROI) can be expressed by residuals or other variables other than total liabilities to equity (LTE), and cash to deposit (CTD).

H_{11}: There is no significant effect of total liabilities to equity (LTE) on the listed Jordanian Islamic Bank's return on investment (ROI). While the probability value of total liabilities to equity (LTE) is 0.0457 which is less than 0.05,means that total liabilities to equity (LTE) is a significant variable to explain the dependent variable. So cannot accept the null hypotheses, and accept the alternative hypotheses that the total liabilities to equity (LTE) are a significant independent variable to affect the return on investment (ROI), meaning that financial risk is a significant independent variable to influence the listed Jordanian Islamic Bank's performance.

H_{21}: There is no significant effect of cash to deposit (CTD) on the listed Jordanian Islamic Bank's return on investment (ROI). While the probability value of cash to deposit (CTD) is 0.0649 which is more than 0.05, means that cash to deposit (CTD) is not a significant variable to explain the dependent variable. So we can accept the null hypotheses, that cash to deposit (CTD) is not a significant independent variable to influence the return on investment (ROI), meaning that liquidity risk is not a significant independent variable to influence the listed Jordanian Islamic Bank's performance.

H_{01}: There is no significant effect of financial risk and liquidity risk on listed Jordanian Islamic Bank's performance .While probab(F_statistic) is 0.042519 which is less than 0.05, means that total liabilities to equity (LTE), and cash to deposit (CTD) are jointly a significant variables to explain the dependent variable. So we cannot accept the null hypotheses, and accept the alternative hypotheses that all total liabilities to equity (LTE) and cash to deposit (CTD) are jointly significant independent variables to influence the return on investment (ROI), meaning that financial risk and liquidity risk are together significant independent variables to influence the listed Jordanian Islamic Bank's performance.

6. Conclusion

Islamic banks in Jordan, as well as in other Islamic countries, run their financial activities based on Islamic principles, while in measuring Islamic banks' performance, studies use the same methods as they use to measure commercial bank's performance. This is because the accounting policies and operations of Islamic banks do not have martial discrepancies with commercial banks.

By return to the current study, the results conclude that there is a significant effect of total liabilities to equity (LTE) on the listed Jordanian Islamic Bank's return on investment (ROI), but there is no significant effect of cash to deposit (CTD) on the listed Jordanian Islamic Bank's return on investment (ROI), and finally there is a significant effect of financial risk and liquidity risk on listed Jordanian Islamic Bank's performance.

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