of Economic Literature classification numbers: D43, G13, L13, L71

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This study recommended would therefore encourage future investigation in the SCP field. This can be undertaken with wider data availability to eliminate or optimally minimize the caveats presented throughout the paper. And also need to reduce concentration and spur competition، and to boost the development of the equity market in order to improve bank's profitability as bank and stock market was found to be complementary

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The results of relationship between the dependent variable (ROA) and independent variables that indicate in 2005، 2006 and 2007 is a positive and significant relationship of management of bank's capital (MBC)، bank Risk (BR)، bank's loan portfolio (BLP) expense control (EC)، equity to total assets (EQAS)، but only in 2005and 2007 in Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS)، and only in 2005 and 2006، loans to total assets (LNAS) .Then used multiple regression to test all independent variables and ROA and the results indicate the positive and significant relationship only in 2006 and 2007.

This study was used simple regression to test the relationship between the dependent variable (ROI) and independent variables and the results indicate in 2005، is a positive and significant relationship of management of bank's capital (MBC) ، bank's loan portfolio (BLP)Expense control (EC)،loans to total Assets (LNAS).equity to total assets (EQAS) ،but in 2006 Management of bank's capital (MBC) ،relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS) ،and in 2007، management of bank's capital (MBC)، bank's loan portfolio (BLP) expense control (EC) ،Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS) ،equity to total assets (EQAS) . Then used multiple regression to test all independent variables and ROA and the results indicate the positive and significant relationship in 2005، 2006 and 2007

When the study applied the model (2) to test the hypotheses and applied the simple regression to investigation concerning the relation between degree of concentration in the banking sector and performance it seems that the pre-tax profit is only partly explained by the variables which we considered as relevant the results indicate in table (5) the positive and significant relationship between the dependent variable (pre-tax profit) and equity، debt، expenses in 2005، 2006 and 2007 respectively. When applied the multiple regression for all variables and the result indicates there are a positive and significant relationship. But when the researchers applied the model 2 to test the hypotheses and applied the multiple regression، the results indicate in table (6) the positive and significant relationship between the dependent variable (pre-tax profit) and all factors (equity، debt، expenses) in all years in (2005، 2006، 2007) respectively .

But when the researcher applied the model 2 to test the hypotheses and applied the multiple regression، the results indicate in table (6) the positive and significant relationship between the dependent variable (pre-tax profit) and all factors (equity، debt، expenses) in all years in (2005، 2006، 2007) respectively and the result indicates ($p < .000$ at significant level .01 with F- test value 434.95)

Conclusion and Recommendations:

The aim of this study is to identify the role of market power in commercial banks of Jordan. To achieve it، we have applied the structure conduct performance (SCP) model to explain the bank level profitability in a sample 14 commercial banks listed in Amman Stock Exchange from the period 2005-2007.

The study encourages future investigation in the SCP field، which can be undertaken with wider data availability to eliminate or optimally minimize the caveats presented throughout the paper. The regression was used to test all hypotheses.

The study design to explain two models، the results indicate in first equation in the years 2005 and 2006 there are a positive and significant relationship between the NIM as profitability measure and the variables management of bank's capital (MBC)، Bank Risk (BR)، Bank's loan portfolio (BLP) expense control (EC)، loans to total assets (LNAS) Equity to Total Assets (EQAS)، but in the year 2007 there is a positive and significant relationships between the net interest margin and bank risk (BR) ،bank's loan portfolio (BLP)،expense control (EC) and equity to total assets (EQAS).

Multiple regression was used to test all independent variables and NIM and the results indicate the positive and significant relationship only in 2005 and 2007 and the results of relationship between the dependent variable (ROC) and independent variables in 2005and 2006 years was positive and significant relationships between the return on capital and the same variables، market concentration (IMC) Bank size(BS) ، But management of bank's capital (MBC) in all years shows the negative and significant relationship. Then used multiple regression to test all independent variables and ROC and the results indicate the positive and significant relationship only in 2006 and 2007.

year	Results Test	equity	debt	expenses	Total independent variables
2006	F	416.927	315.460	208.669	209.599
	R^2	.972	.963	.946	.984
	T- test	20.419	17.761	14.445	--
	SIG	.000***	.000***	.000***	.000***
2007	F	433.120	490.859	235.445	586.915
	R^2	.973	.976	.952	.994
	T- test	20.812	22.155	15.344	---
	SIG	.000***	.000***	.000***	.000***

* Significant at p <0.10 ** Significant at p< 0.05 *** Significant at p< 0.01

When the study applied the model 2 to test the hypotheses and applied the simple regression ، the results indicate in table (5) the positive and significant relationship between the dependent variable (pre-tax profit) and equity ، debt، expenses in 2005،2006،2007 respectively (p < .000-.000-.000 at significant level .01 with t- test value 13.767-14.335-12.241 (2005)/20.419-17.761-14.445(2006)/20.812-22.155-15.344(2007). When applied the multiple regression for all variables and the result indicates (p < .000-.000-.000 at significant level .01 with F- test value 94.304-209.599-586.915)

Model (2): Table (6)

The Relationship between the Dependent Variable Pre- Tax profit and Independent Variables for all years

year	Results Test	equity	debt	expenses	Total
2005-2007	F	911.337	646.106	602.417	434.95
	R^2	.958	.942	.938	.972
	T- test	30.188	25.419	24.544	--
	SIG	.000***	.000***	.000***	.000***

* Significant at p <0.10 ** Significant at p< 0.05 *** Significant at p< 0.01

The study was used simple regression to test the relationship between the dependent variable (ROI) and independent variables in table (4) and the results indicate in 2005، a positive and significant relationship ، management of bank's capital (MBC) (p < .000 at significant level .01with t- test value5.319)، bank risk(BR) (p < .037at significant level .05، with t- test value 2.346) ، bank's loan portfolio (BLP)،(p<.036 at significant level .05، with t- test value 2.366) Expense control (EC) (p<.033 at significant level .05، with t- test value 2.404)،loans to total Assets (LNAS)(p<.041 at significant level .05، with t- test value2.285).equity to total assets (EQAS) (p<.026 at significant level .05، with t- test value 2.536 ،but in 2006 Management of bank's capital (MBC) (p < .026 at significant level .05with t- test value2.546)، relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS) (p<.001 at significant level .01 with t-test 4.167) but in2007، management of bank's capital (MBC) (p < .037 at significant level .05with t- test value 2.349)، bank risk(BR) (p < ،000at significant level .01، with t- test value 12.149) ، bank's loan portfolio (BLP)،(p<.000 at significant level .01، with t- test value 12.115)، expense control (EC) (p<.000 at significant level .01، with t- test value 12.576). Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS) (p<.013 at significant level .05 with t-test 2.933)، equity to total assets (EQAS) (p<.000 at significant level .01، with t- test value 6.221. Then used multiple regression to test all independent variables and ROA and the results indicate the positive and significant relationship in 2005، 2006 and 2007 respectively (p <، 052-.001-.001 at significant level .10-.01، .01 with F- test value5.882-29.010-30.974)

Model (2): Table (5)

The Relationship between the Dependent Variable Pre- Tax profit and Independent Variables

year	Results Test	equity	debt	expenses	Total independent variables
2005	F	189.530	205.506	149.832	94.304
	R^2	.940	.945	.926	.966
	T- test	13.767	14.335	12.241	--
	SIG	.000***	.000***	.000***	.000***

level .01، with t- test value4.815-9.502-9.369)، equity to total assets (EQAS)(p<.000-.000-.000 at significant level .01، with t- test value 6.142-8.156-6.705). but only in 2005and 2007 in Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS) (p<.065-.037 at significant level .10،.05 with t-test 2.050-2.344) but only in 2005 and 2006 ، loans to total assets (LNAS)(p<.000-.000 at significant level .01 with t- test value3.988-4.674)،

Then used multiple regression to test all independent variables and ROA and the results indicate the positive and significant relationship only in 2006 and 2007 respectively (p <، 017-.007 at significant level .05-.01، with F- test value8.194-11.867).

Table (4): The Relationship between the Dependent Variable (ROI) and Independent Variables

year	Results Test	IMC	MBC	BR	BS	BLP	EC	PBS	LNAS	EQAS	LLR	Total (All Variables
2005	F	.795	28.293	5.506	1.448	5.600	5.777	.651	5.222	6.434	.853	5.882
	Constant (SE)	.267	.251	.235	.278	.227	.234	.851	.245	.422	.268	.991
	Constant (B)	1.118	-4.221	.847	1.199	.904	.839	.395	.803	.127	1.126	1.359
	R^2	.062	.702	.315	.108	.316	.325	.051	.303	.349	.066	.930
	T- test	-.892	5.319	2.346	-1.20	2.366	2.404	.807	2.285	2.536	-.924	-
	SIG	.390	.000***	.037**	.252	.036**	.033**	.435	.041**	.026**	.374	.052*
2006	F	.136	6.495	.026	.309	.027	.030	17.36	.007	.158	.131	29.01
	Constant (SE)	1.563	2.637	1.565	1.665	1.557	1.564	2.491	1.813	3.478	1.554	1.821
	Constant (B)	2.275	-3.868	2.031	2.526	2.035	2.026	-7.475	2.021	.854	2.260	-2.299
	R^2	.011	.351	.002	.025	.002	.003	.591	.001	.013	.011	.979
	T- test	-.369	2.549	.162	-.556	.165	.174	4.167	.082	.398	-.361	-
	SIG	.719	.026**	.874	.589	.872	.864	.001***	.936	.698	.724	.001***
2007	F	.159	5.519	147.59	.330	146.78	185.15	8.60	.464	30.696	.003	30.97
	Constant (SE)	.219	.380	.060	.233	.060	.059	.449	.232	.215	.220	.267
	Constant (B)	.636	-.184	.402	.671	.416	.379	-.621	.683	-.570	.606	.373
	R^2	.013	.315	.925	.027	.924	.929	.417	-.043	.763	.000	.980
	T- test	-.399	2.349	12.149	-.574	12.115	12.576	2.933	-.681	6.221	.058	-
	SIG	.697	.037**	.000***	.576	.000***	.000***	.013**	.509	.000***	.954	.001***

* Significant at p <0.10 ** Significant at p< 0.05 *** Significant at p< 0.01

Table (3): The Relationship between the Dependent Variable (ROA) and Independent Variables

year	Results Test	IMC	MBC	BR	BS	BLP	EC	PBS	LNAS	EQAS	LLR	Total (All Variables
2005	F	1.066	6.629	23.663	1.576	24.141	23.188	4.204	15.906	37.720	1.052	3.665
	Constant (SE)	.507	.708	.316	.532	.303	.319	1.444	.370	.493	.511	2.360
	Constant (B)	3.085	1.442	2.369	3.231	2.528	2.358	.112	2.284	.323	3.096	8.504
	R^2	.082	.356	.663	.116	.6368	.659	.259	.570	.759	.081	.892
	T- test	-1.03	2.575	4.864	-1.25	4.913	4.815	2.050	3.988	6.142	-1.02	-
	SIG	.322	.024**	.000***	.233	.000***	.000***	.063*	.002***	.000***	.325	.112
2006	F	.359	7.808	89.459	.515	89.723	90.295	2.692	21.842	66.517	.271	8.194
	Constant (SE)	.321	.528	.112	.343	.111	.111	.730	.224	.284	.320	.692
	Constant (B)	2.146	.776	1.785	2.201	1.806	1.787	.983	1.501	-3.013	2.135	.899
	R^2	.029	.394	.882	.041	.882	.883	.183	.645	.847	.022	.929
	T- test	-.599	2.794	9.458	-.718	9.472	9.502	1.641	4.6748	8.156	-.521	-
	SIG	.560	.016**	.000***	.487	.000***	.000***	.127	.000***	.000***	.612	.017**
2007	F	.039	3.409	86.962	.086	87.247	87.786	5.496	.495	44.956	.047	11.867
	Constant (SE)	.434	.800	.151	.465	.150	.151	.963	.457	.402	.434	.839
	Constant (B)	1.908	.568	1.482	1.944	1.507	1.438	-.227	2.030	-.488	1.854	.782
	R^2	.003	.221	.879	.007	.879	.880	.314	.040	.789	.004	.950
	T- test	-.197	1.846	9.325	-.294	9.341	9.369	2.344	-.704	6.705	.217	-
	SIG	.847	.090*	.000***	.774	.000***	.000***	.037**	.495	.000***	.832	.007***

* Significant at p <0.10 ** Significant at p< 0.05 *** Significant at p< 0.01

The study was used simple regression to test the relationship between the dependent variable (ROA) and independent variables in table (3) and the results indicate in 2005،2006and 2007 a positive and significant relationship ، management of bank's capital (MBC) (p < .024-.016-.09 at significant level .05،.10 with t- test value2.575-2.794-1.846)، bank Risk(BR) (p < ،000-.000-.000 at significant level .01، with t- test value4.864-9.458-9.325) ، bank's loan portfolio (BLP)،(p<.000-.000-.000 at significant level .01، with t- test value4.913-9.472-9.341) expense control (EC) (p<.000-.000،.000 at significant

year	Results Test	IMC	MBC	BR	BS	BLP	EC	PBS	LNAS	EQAS	LLR	Total (All Variables
2006	F	21.034	5.535	.051	26.463	.050	.050	.516	.211	.181	.383	4.073
	Constant (SE)	.029	.083	.048	.029	.048	.048	.516	.055	.106	.047	.140
	Constant (B)	.251	.464	.288	.223	.288	.288	.718	.305	.250	.299	.349
	R^2	.637	.316	.004	.688	.004	.004	.041	.017	.015	.031	.867
	T- test	4.586	-2.353	.225	5.144	.223	.224	.718	-.460	.425	-.619	-
	SIG	.001***	.037**	.825	.000***	.827	.827	.486	.654	.678	.547	.069*
2007	F	22.082	5.283	.131	27.749	.131	.121	2.394	.855	.160	.121	5.393
	Constant (SE)	.042	.123	.070	.042	.070	.071	.173	.074	.142	.071	.197
	Constant (B)	.217	.528	.269	.175	.269	.268	2.2547	.307	.226	.283	.219
	R^2	..306	.306	.011	.698	.011	.010	.166	.066	.013	.010	.896
	T- test	4.699	-2.298	.362	5.268	.362	.348	1.547	-.924	.400	-.348	-
	SIG	.001***	.040**	.724	.000***	.724	.734	.148	.373	.696	.734	.040**

* Significant at p <0.10 ** Significant at p< 0.05 *** Significant at p< 0.01

The study was used simple regression to test the relationship between the dependent variable (ROC) and independent variables in table (2) and the results indicate in 2005and 2006 years there are positive and significant relationships between the return on capital and the same variables، market concentration (IMC) (p < .011-.001-001 at significant level .05،01،01 with t- test value 2.998-4.586-4.699)، Bank size(BS) (p < .006-.000-.000 at significant level .01، with t- test value3.357-5.144-5.268) ، but in 2005year show the loan loss provisions to loans ratio (LLR)(p< ،014at significant level .05 with t- test value2.883)،But management of bank's capital (MBC) in all years show the negative and significant relationship (p <.009-.037-.040 at significant level .01، .05، .05، with t- test value -3.090،-2.353،-2.298). Then used multiple regression to test all independent variables and ROC and the results indicate the positive and significant relationship only in 2006 and 2007، respectively، (p < .069-.040 at significant level .10-.05، with F- test value 4.073-5.393)

The table 1 of study was used simple regression and the results show for the period 2005and 2006 years there are positive and significant relationships between the net interest margin(NIM0 and the same variables، management of bank's capital (MBC)، (p < ،024–.049 at significant level .05، with t– test value 2.580–2.189)، Bank Risk(BR) (p < .000–.002 at significant level .01، with t– test value 7.159–4.076) ، Bank's loan portfolio (BLP)،(p<.000–.002 at significant level .01، with t– test value 7.269–4.087) expense control (EC) (p<.000–.001 at significant level .01، with t– test value 7.539–4.112) ، loans to total assets (LNAS)(p<.001–.040 at significant level .01،05 with t– test value 4.568–2.298)، Equity to Total Assets (EQAS)(p<.000–.002 at significant level .01، with t– test value 5.102–3.924). But in 2007 year there are a positive and significant relationships between the net interest margin and bank risk (BR) (p < ،000at significant level .01، with t– test value 6.360)، bank's loan portfolio (BLP)،(p<.000at significant level .01، with t– test value 6.377) expense control (EC) (p<.000at significant level .01، with t– test value 6.429) and Equity to Total Assets (EQAS)(p<.002at significant level .01، with t– test value 3.965). Then used multiple regression to test all independent variables and NIM and the results indicate the positive and significant relationship only in 2005 and 2007، respectively، (p < .034–.072 at significant level .05–.10، with F– test value 7.552–3.984)

Table (2) :The Relationship between the Dependent Variable (ROC) and Independent Variables

year	Results Test	IMC	MBC	BR	BS	BLP	EC	PBS	LNAS	EQAS	LLR	Total (All Variables
2005	F	8.989	9.548	.134	11.271	.137	.172	1.510	.775	.569	8.309	2.298
	Constant (SE)	.064	.105	.086	.065	.083	.086	.252	.087	.156	.065	.460
	Constant (B)	.436	.756	.503	.395	.500	.505	.196	.525	.593	.433	.463
	R^2	.428	.443	.011	.484	.011	.014	.112	.061	.045	.409	-
	T- test	2.998	-3.090	-.36	3.357	-.370	-.414	1.229	-.880	-.755	2.883	.838
	SIG	.011**	.009***	.720	.006***	.718	.686	.243	.396	.465	.014**	.220

table (1) which reports the results of regression of the net interest margin and independent variables، respectively. The tables include several specifications، with the basic specification including a set of bank characteristic variables. Subsequently، we add the financial structure variables

Table (1): The Relationship between the Dependent Variable (NIM) and Independent Variables:

year	Results Test	IMC	MBC	BR	BS	BLP	EC	PBS	LNAS	EQAS	LLR	Total (All Variables
2005	F	.381	6.658	51.253	.459	52.832	56.840	2.502	20.864	26.027	.455	7.552
	Constant (SE)	.004	.005	.002	.004	.002	.002	.011	.003	.004	.004	.0013
	Constant (B)	3.013	1.826	2.477	3.069	2.608	2.462	1.222	2.430	1.088	3.025	2..275
	R^2	.031	.357	.810	.037	.815	.826	.173	.635	.684	.036	.944
	T- test	-.617	2.580	7.159	-.675	7.269	7.539	1.582	4.568	5.102	-.674	-
	SIG	.549	.024**	.000***	.512	.000***	.000***	.140	.001***	.000***	.513	.034**
2006	F	.229	4.790	16.612	.259	16.702	16.908	3.152	5.281	15.399	2.175	3.118
	Constant (SE)	.003	.006	.002	.004	.002	.002	.008	.003	.005	.003	.011
	Constant (B)	3.162	1.943	2.856	3.198	2.873	2.856	1.877	2.690	1.326	3.242	2.517
	R^2	.019	.285	.581	.021	.582	.585	.208	.306	.562	.153	.833
	T- test	-.478	2.189	4.076	-.509	4.087	4.112	1.775	2.298	3.924	-1.47	-
	SIG	.641	.049**	.002***	.620	.002***	.001***	.101	.040**	.002***	.166	.113
2007	F	.178	1.956	40.450	.224	40.665	41.332	3.114	1.149	15.724	.000	3.984
	Constant (SE)	.004	.007	.002	.004	.002	.002	.009	.004	.005	.004	.012
	Constant (B)	3.177	2.216	2.802	3.217	2.823	2.766	1.638	3.321	1.375	3.126	3.306
	R^2	.015	.140	.771	.018	.772	.775	.206	.087	.567	.000	.864
	T- test	-.422	1.399	6.360	-.473	6.377	6.429	1.765	-1.072	3.965	.015	-
	SIG	.580	.187	.000***	.644	.000***	.000***	.103	.305	.002***	.988	.072*

* Significant at p <0.10 ** Significant at p< 0.05 *** Significant at p< 0.01

such as Returns on Equity (ROE)، Returns on Assets (ROA)، liquidity ratios، solvency ratios etc. However، although the informational content of these ratios are of extreme importance in appraising the firm' performance، we have avoided the use of such parameters for the reason that these parameters، being quotients، usually violate the assumptions of the least squares method. The variables chosen as independent are Equity، Debt and Expenses. According to the above approach the multiple regression model for the banks profitability takes the following form:

$$\textbf{PRE-TAXPR}_t = b0 + b1*\textbf{EQUITY}_t + b2*\textbf{DEBT}_t + b3*\textbf{EXPENSES}_t + U_t \quad \text{—2}$$

PRETAXPR = Pre-tax profit

EQUITY = Equity

DEBT = Liabilities to financial institutions + Customer deposits + Liabilities from securities + other liabilities.

EXPENSES = Interest expenses + Commission expenses + General administration expenses + Depreciation expenses + other expenses + Provisions + Extra ordinary expenses.

b0، b1، b2، b3، b4 = Regression coefficients، to be estimated.

Ut = Error term

For the estimation of the regression coefficients was applied the method of the ordinary least squares (OLS). The study performed the regression analysis for each year from 2005 through 2007.

Empirical Analysis

The data used in the empirical work were extracted from the companies' guide of banks data base. The structure-performance relationship is reexamined in this study، using a sample of 14 commercial banks listed in Amman Stock Exchange .The relationship is investigated over the 2005-2007 intervals.

This section provides empirical evidence on the relationship between the dependent variable of bank interest margins as measured of profitability (NIM) and independent variables in the commercial Jordanian Banks. A broad description of the characteristics of the variables used in the study is given in

1. Index of market concentration (IMC) which is bank (i)'s Herfindahl–Hirschman index of market concentration .This is calculated for an individual bank as $(TDit/TD)^2$، where TDi is bank (i)'s total deposit; TD is total commercial banks deposits in the market.
2. Management of bank's capital (MBC) measured by the total capital of the bank to total assets.
3. Bank's loan portfolio (BLP) measured by the ratio between total loans and total assets.
4. Bank size measure (BS) measured by the bank's total assets.
5. Expense control (EC) measured by operating expenses as a ratio of total deposits.
6. Loan loss provisions to loans ratio (LLR)
7. Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS)
8. Loans to Total Assets (LNAS)
9. Equity to Total Assets (EQAS)
10. Bank Risk measure by total Loans to Total Deposits (BR)

Model (2):

A number of empirical studies have tested hypotheses in the SCP framework for depository financial institutions, Molyneux, P. (1995), Berger, A. N. .(and Hannan, T. H, (1989

The study tests the hypothesis that the main factor for the profits level is the bank's size. The assets volume, the equity's size, the volume of sales, the working capital, the volume of customers' deposits etc. can equally be considered as measure of the bank's size. In this investigation we will work on the assumption that the bank's profit is mainly affected by the size, as a combination of the equity, the bank's borrowings from customers (deposits) .and other financial institutions and the operating expenses

The firm's profitability and performance is usually measured by indices

to a variety of factors is displayed:

$$Perij,t = f(BCij,t + FSt)\text{-------}1$$

Where: Perfij،t represents two alternative performance measures for the firm j during the period t; BCij،t are bank variables for bank j at time t، FSt are measures of financial structure indicators.

Four measures of performance are used in the study: the net interest margin (NIM) and the return of assets (ROA). The NIM variable is defined as the net interest income divided by total assets. ROA is a ratio computed by dividing the net income over total assets. NIM and ROA have been used in most banks' performance studies. ROA measures the profit earned per dollar of assets and reflect how well bank management use the bank's real investments resources to generate profits while NIM is focused on the profit earned on interest activities. The ROC is calculated by dividing net income to capital and ROI is calculated by dividing net income to average amount of invested

Seven bank's characteristics indicators are used as internal determinants of performance. They comprise the ratio of equity capital to total assets (MBC)، the ratio of bank's loans to total assets (BLP)،.expense control (EC) measured by operating expenses as a ratio of total deposits، the ratio of loan loss provisions to loans ratio (LLR)، Loans to total assets (LNAS) ،equity to Total Assets (EQAS) ،bank risk measure by total loans to total deposits (BR)

We also examine the financial structure variables that used as external determinants and how the performance of the banking sector is related to the relative development of the banks and stock markets. Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS)، bank size (BS) is calculated by the bank's total assets and Index of market concentration (IMC) which is bank (i)'s Herfindahl-Hirschman index of market concentration and calculated for an individual bank as $(TDit/TD)^2$، where TDi is bank (i)'s total deposit; TD is total commercial banks deposits in the market

Model (1)

The study was used the internal which include the following:

Ho: There is no statistical significance relationship between equity to total Assets and profitability measures of commercial banks

Hypothesis 10:

Ho: There is no statistical significance relationship between bank risk and profitability measures of commercial banks

Model (2)

Hypothesis 1:

Ho: There is no statistical significance relationship between equity and pre-tax profit of commercial banks

Hypothesis 2:

Ho: There is no statistical significance relationship between debt and pre-tax profit of commercial banks

Hypothesis 3:

Ho: There is no statistical significance relationship between expenses and pre-tax profit of commercial banks

The Study Methodology

More recent studies of the structure performance relationship have been done by Burke and Rhoades (1985)، Smirlock (1985)، Smirlock and Brown (1986)، and Whalen (1986). Burke and Rhoades explore the relationship between bank profitability averaged over the 1980-84 interval and the number of bank competitors faced using a national sample of more than 7600 institutions

This paper follows in the footsteps of Abreu and Mendes (2002)، Demerguç-Kunt and Huizingha (1999) and Ben Naceur and Goaied (2001) among others. It extends the existing literature several ways.

The empirical test is concerned with the application of the structure conduct performance model in explaining reported profitability of Jordanian commercial banks. The study used capital ratio، overhead، loan and liquidity ratios as proxies for internal indicators، and financial structure indicators are used as external factors. A linear equation relating the performance measures

Hypotheses

The null hypotheses are presented for testing:

Model (1)

:Hypothesis 1

Ho: There is no statistical significance relationship between index of market concentration and profitability measures of commercial banks

:Hypothesis 2

Ho: There is no statistical significance relationship between management of bank's capital and profitability measures of commercial banks

:Hypothesis 3

Ho: There is no statistical significance relationship between bank's loan portfolio and profitability measures of commercial banks

:Hypothesis 4

Ho: There is no statistical significance relationship between bank size and profitability measures of commercial banks

:Hypothesis 5

Ho: There is no statistical significance relationship between expense control and profitability measures of commercial banks

:Hypothesis 6

Ho: There is no statistical significance relationship between loan loss provisions and profitability measures of commercial banks

:Hypothesis 7

Ho: There is no statistical significance relationship between loans to total Assets and profitability measures of commercial banks

:Hypothesis 8

Ho: There is no statistical significance relationship between relative size and profitability measures of commercial banks

Hypothesis 9:

financial development and structure on bank profitability using bank level data for a large number of developed and developing countries over the 1990–1997 period. The paper finds that financial development has a very important impact on bank performance. Specifically، the paper reports that higher bank development is related to lower bank performance (Tougher competition explains the decrease of profitability). Stock market development on the other hand، leads to increased profits and margins for banks especially at lower levels of financial development، indicating complementarities between bank and stock market

In a comprehensive study **Demerguç-Kunt and Huizingha (1999)** examine the determinants of bank interest margins and profitability using a bank level data for 80 countries in the 1988– 1995 period. The set of variables includes several factors accounting for bank characteristics، macroeconomic conditions، taxation، regulations، financial structure and legal indicators. They report that a larger ratio of bank assets to GDP and a lower market concentration ratio lead to lower margins and profits. Foreign banks have higher margins and profits than domestic banks on developing countries، while the opposite prevail in developed countries.

Gary Whalen (1987) the empirical results obtained using this sample of non-MSA banks does not support the concentration-collusion hypothesis. That is، a strong positive relationship between market concentration and bank profitability was not detected using either type of statistical analysis. The results suggest that high market concentration is unlikely to lead to collusion and monopoly profits، at least in states that allow banks some freedom to branch. The implication is that a purely structuralism antitrust policy should be tempered with judgment، particularly in the determination of critical tolerable concentration levels.

last decade and the process of European integration with the introduction of the Euro have enhanced the competitiveness of the banking sector. On the strong side of the evidence، the variables related to management decisions are found to assert a major impact on the profitability of Greek commercial banks

Samy Ben Naceur (2003) this paper investigates the impact of bank's characteristics، financial structure and macroeconomic indicators on bank's net interest margins and profitability in the Tunisian banking industry for the 1980-2000 period. First، individual bank characteristics explain a substantial part of the within-country variation in bank interest margins and net profitability. High net interest margin and profitability tend to be associated with banks that hold a relatively high amount of capital، and with large overheads. Other important internal determinants of bank's interest margins bank loans which have a positive and significant impact. The size has mostly negative and significant coefficients on the net interest margins. This latter result may simply reflect scale inefficiencies. Second، the paper finds that the macro-economic indicators such inflation and growth rates have no impact on bank's interest margins and profitability. Third، turning to financial structure and its impact on bank's interest margin and profitability، they find that concentration is less beneficial to the Tunisian commercial banks than competition. Stock market development has a positive effect on bank profitability. This reflects the complementarities between bank and stock market growth. They have found that the disintermediation of the Tunisian financial system is favorable to the banking sector profitability.

Guru et al. (2002) attempt to identify the determinants of successful deposit banks in order to provide practical guides for improved profitability performance of these institutions. The study is based on a sample of seventeen Malaysian commercial banks over the 1986-1995 periods. The profitability determinants were divided in two main categories، namely the internal determinants (liquidity، capital adequacy and expenses management) and the external determinants (ownership، firm size and external economic conditions). The findings of this study revealed that efficient expenses management was one of the most significant in explaining high bank profitability. Among the macro indicators، high interest ratio was associated with low bank profitability and inflation was found to have a positive effect on bank performance.

Demerguç-Kunt and Huizingha (2001) present evidence on the impact of

considers the market-power versus the efficient structure theories of the positive correlation between banking concentration and performance on a state-by-state basis. Temporal causality tests imply that bank concentration leads bank profitability، supporting the market-power، rather than the efficient-structure، theory of that positive correlation. The finding suggests that bank regulators، by focusing on local banking markets، missed the initial stages of an important structural change at the state level.

Isabel Ruiz (2003) this paper looks into the application of the theory of "the persistence of profits" and how it can be used to model manufacturing industries in Colombia. By explaining where the theory of "persistence of profits" comes from، what it is، and what its determinants are brief descriptions of the theory is given. This paper proposes a model for examining persistence of profits in Colombian manufacturing industry. By analyzing the literature and the modeling in developed countries the model takes into account the characteristics of the manufacturing industry

Margaret E. Slade, (2003) in this paper، she look at four models of firm profitability: two taken from Industrial Organization، one from Finance، and one from the Economics of Exhaustible Resources. Only one predicts that there will be a positive relationship between firm profitability and the structure of the market in which the firm operates، and only that one views high profits as an indication of monopoly power. Nevertheless، most antitrust authorities base their policies on a belief in those relationships. Using panel data from 14 nonferrous-metal mining and refining markets and he find strong empirical support only for the market-structure model.

E. C. Mamatzakis, P. C. Remoundos, (2003) this paper attempts to examine the determinants of the performance of Greek commercial banks over the last decade. This is of interest because of the markedly changes in the structure of the Greek banking system in the nineties. The Greek banking system is still going through a transformation period so as to compete within a rapidly changing international economic environment and to meet the new financial needs of the economy. In the empirical section، they measure the profitability of the commercial banks using the ratios return on assets (ROA) and return on equity (ROE). The results provide weak evidence of the phenomenon of persistence in profitability. They report that the deregulation of the market in the

The statistics show managers given constant importance of SMEs financing opportunities، bank credit pre-eminence over other forms of financing، the lack of viable alternatives for start-up and innovative companies، etc. Market concentration، alternative between transactional or relational lending، various types of banks; state owned، private owned، foreign، large or small، are analyzed to identify the availability for SME financing. Finally، it is recognized the importance of a diversified banking markets both in terms of supply، lending technologies، but also as bank institutions itself.

Ralph M. Sonenshine ,(2009) It is well documented that acquirers often pay a very large premium to acquire companies in related industries. There are many explanations as to the source of this premium. This study isolates two variables، R&D-intensity and market concentration، and correlates their value individually and jointly to the value of the acquired company. The results indicate that change in market concentration and R&D is positively correlated to the merger deal premium in a horizontal merger. Furthermore، deal premiums tend to follow an inverted U curve pattern relative to market concentration change. The study also shows that cost synergies and macro economic growth impact deal premium values.

Nadim Jahangir, Shubhankar Shill and Md. Amlan Jahid Haque (2007) this paper presented the loans as the riskiest asset of a bank، but these loans play a pivotal role in banks' profitability. Banks 'profitability depends on the results of some parameters and among them Bank b Return on Equity، Market Size، Market Concentration Index، and Bank Risk Measure are widely used and the same are investigated in the Bangladesh Banking Industry in this study for a period of the last six years. The data comes from the annual reports of individual banks listed in Dhaka Stock Exchange (DSE) and from the Bangladesh bank published statistics book (Scheduled Banks Statistics). Correlation matrix and stepwise regression have been used for the purpose of data analysis. The analysis finds that market concentration and bank b risk do little to explain bank b return on equity، whereas bank market size is the only variable providing an explanation for banks return on equity in the context of Bangladesh

Yongil Jeon, Stephen M. Miller, (2005) regulatory change not seen since the great depression swept the U.S. banking industry beginning in the early 1980s، culminating with the Interstate Banking and Branching Efficiency Act of 1994. Significant consolidations have occurred in the banking industry. This paper

environment. Knowing how successful firms work will give suggestions for other firm's strategies

Therefore، one could say that the primary objective of this paper is to empirically investigate the determinants of the profitability of Jordanian commercial banks for the period 2005–2007، using a methodology based on the Structure–Conduct–Performance (SCP) framework. The SCP relationship is a general statement on the determinants of market performance. Simply stated، the conduct or rivalry in a market is determined by the structure of the market.

Literature Review

Majid Ahmadian ,(2010) This paper provides a theoretical model under input price uncertainty. It is shown that the effect of the expected concentration on the industry's expected margin is sensitive to both variations in input price variance and the attitudes of the firms towards risk. Both of these factors impose their positive direct and negative indirect impacts on the expected profitability and the overall effects depend crucially on the comparative advantage of one effects to another. Furthermore، sensitivity implications indicate that the collusion parameter، output price and aggregate marginal product of a main input with its own supply price elasticity are responsible for raising concentration which in turn results indirectly in a higher expected input margin.

Daniel Bergstresser ,(2010) This paper uses data from the 1983 Survey of Consumer Finances to test the relationship between the banks' market power and households' self-reported levels of credit constraints. The

1983 Survey was the last to identify households' geographic location، making it useful for this analysis. There is evidence that borrowers، and particularly young borrowers، were less credit constrained in markets where banks enjoyed more market power. Interest rates on consumer borrowing decreased more sharply with age in competitive markets than in concentrated markets. These results are consistent with the Sharpe (1990) and Petersen-Rajan (1995) models of information acquisition in credit markets

Daniel Badulescu , (2010) Small and medium enterprises (SMEs) have a key role in developing national economies، but are often limited by lack of development support in financing business for reasons of information asymmetry، high risks، lack of collateral، unfavorable regulatory environment.

cial banks more successful than others? To what extent are discrepancies in bank's profitability due to variation in endogenous factors under the control of bank management and to what extent، do external factors impact the financial performance of these banks? Answers to the questions would be helpful to identify the determinants of successful Jordanian commercial banks in order to formulate policies for improved profitability of these institutions

The Study Importance

Since the publication of Bains (1951) a number of statistical investigations have been made on the relationship between market structure and dimensions of economic performance in the advanced industrialized economy. The study shows that little studies evaluations the impact of market structure on a locative performance in the less developed countries (LDSs).

Corporate performance has been one of the main concerns of management experts، investors، and economic analysts. This concern closely relates to the significant impact of the profitability of corporate organizations in general، and commercial banks in particular، on the potential growth of the economy as a whole. A study of the determinants of corporate performance، therefore، could assist managers، investors، and government to plan in advance and deal with the rising uncertainty of the globalize environment. To this end، management should hedge against adverse factors، like uncertainty، and capitalize on other، like strong demand and cost complementarities that improve performance.

Moreover، investors should be able to measure the performance of their portfolios and proceed with readjustments as required، while economic policy makers should also be able to measure the impact of the corporate performance on the economy and its implications on the issues of policy.

This paper is important and relevant because it allows analyzing and proposing corrective measures for new industries based on what successful industries have done. A successful firm is one that can regularly produce the "correct" reply to various exogenous changes in its environment، and، at the same time، cope with the endogenous changes that are induced by its own success. The extent to which profit persist above the norm depends on how successfully firms overcome the challenges posed by the need to adapt to the

The Study Problem

The structure-conduct-performance (SCP) model that dominated Industrial organization until the early 1980s held that market structure (the number and size distribution of firms in an industry) determines market conduct (the way in which the firms in that industry interact)، which in turn determines firm performance (profitability). Academics from that tradition claimed that market structure was principally influenced by technological factors such as economies of scale and scope، and that the existence of high profit levels in an industry was evidence that the firms in that industry possessed monopoly power.

This paper was initiated by a series of question: Why are some Jordan commercial banks more successful than others? To what extent are discrepancies in bank's profitability due to variation in endogenous factors under the control of bank management and to what extent، do external factors impact the financial performance of these banks? Answers to the questions would be helpful to identify the determinants of successful Jordanian commercial banks in order to formulate policies for improved profitability of these institutions

A comprehensive set of internal characteristics is included as determinants of bank's net interest margin، return on assets، return on capital and return on investment which all of theses measures of profitability. These internal factors include such as the ratios equity capital to total assets (MBC)، the bank's loans to total assets (BLP)، expense control (EC)، while studying the impact of bank's characteristics on their performance، we include financial structure indicators Relative size is calculated as the ratio of the stock market capitalization to total assets of deposit money banks (PBS)، bank size and Index of market concentration (IMC) to control for the effect of external factors

The Study Objectives

The primary objective of this paper is to empirically investigate the determinants of the profitability of Jordanian commercial banks for the period 2005-2007، using a methodology based on the Structure-Conduct-Performance (SCP) framework.

This paper was initiated by a series of question: Why are some commer-

Introduction

A majority of work on commercial bank performance exist in the literature. However، just a few of these studies related to the profitability performance of commercial banks have been carried out in developing countries and in Africa . Banking system problems and the mounting of financial sector reform measures، little or no adequate analysis has been done to examine the determinants of banking performance.

Previous theoretical investigations and empirical studies have consistently linked firm performance، defined by either profitability or efficiency related measures to the degree of market power exercised by individual companies.

Empirical studies of banking competition and performance are summarized in two models: the Structure-Conduct-Performance (SCP) model and New Economic Industrial Organization (NEIO) model. The SCP paradigm measures the impact of observable market or industry parameters on the conduct and performance of market participants. Early SCP studies have applied a broad range of proxies for market structure and market performance: the relationship between the buyer and the seller costs، the degree of product differentiation، the degree of concentration within a market place، the degree of market share and the entry conditions for potential new firms، for market concentration; and the relation of rates of returns to assets، the scale of the costs of selling and efficiencies for market performance. Recent studies have applied a host of other proxies، such as risk، leverage، buyer and seller concentration and foreign competition.

This study provides an empirical support for the traditional SCP model concluding that the degree of concentration has an affect on the level of competition within the industry.

Several variables have been stated as the determinants of long run profitability. Some of these variables are market structure (industry characteristics)، market share، market share growth، productivity، firm concentration ratio، replacement value capital stock and growth of the firm. Other variables are more difficult to measure، but are equally important. Some of the latter ones are barriers to entry، stock of advertising، stock of research and development and minimum efficient size measure.

"تحليل العلاقة بين هيكلية السوق ومستويات تحقيق الربحية : دراسة حالة البنوك التجارية الأردنية»

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الملخص:

تهدف هذه الدراسة إلى التحقق من أثر العلاقة بين هيكلية السوق متمثلة في خصائص البنوك ، متغيرات الهيكل المالي ومستويات الربحية من خلال تطبيق نموذج سلوك هيكل الأداء على البنوك التجارية الأردنية المدرجة في بورصة عمان للفترة مابين ٢٠٠٥ الى ٢٠٠٧ . ولتحقيق الهدف السابق، تم استخدام نموذجين ،النوذج الأول : يأخذ بعين الاعتبار المتغيرات المهمة في قطاع البنوك التجارية الأردنية (خصائص البنوك ومتغيرات الهيكل المالي ،كما تم تقسيم متغيرات النموذج الأول لهذه الدراسة إلى مجموعتين رئيسيتين؛ لبيان أثرها على ربحية البنوك، حيث اشتملت المجموعة الأولى على متغيرات داخلية، في حين تضمنت المجموعه الثانية المتغيرات الخارجية، والتي تتعلق بمؤشرات الهيكل المالي لفحص أداء قطاع البنوك، والمرتبط بتطوير أسواق أسهم البنوك، وباستخدام اختبار الانحدار البسيط والمتعدد، تبين وجود علاقات ذات دلالة إحصائيه وموجبة بين متغيرات الربحية وجميع المتغيرات الداخلية والخارجية في النموذج الأول، ولجميع سنوات الدراسة .

عند تطبيق النموذج الثاني للتحقق من الاهتمام بالعلاقة بين درجة التركيز في قطاع البنوك والأداء ، حيث تم تحديد مؤشر الربح قبل الضريبة كمؤشر جزئي يشرح المتغيرات المرتبطه بالنموذج، وتضمنت النتائج وجود علاقة ذات دلالة إحصائيه بين مؤشر الربح قبل الضريبه والمتغيرات المستقله (حقوق الملكية ، الدين ، المصاريف) في كل سنة ولجميع المتغيرات المستقله مجتمعة لكل سنة من سنوات الدراسة. وعند تطبيق اختبار الانحدار المتعدد أشارت النتائج إلى وجود علاقة موجبة وذات دلالة إحصائيه بين مؤشر الربح قبل الضريبة، وجميع المتغيرات المستقله ولجميع سنوات الدراسه . وأخيرا توصي الدراسة بضرورة إجراء المزيد من البحوث المستقبلية في مجال دراسة العلاقات في حقل أداء سلوك (تطوير) الهيكل المالي ، وهذا يتطلب توفر بيانات أشمل بالاضافه إلى الحاجة إلى تقليل مؤشر التركيز والمنافسة، وتعزيز تطوير أسهم السوق لتحسين ربحية البنوك كبنك، وكسهم موجود بالسوق .

مجلة جامعة الملك خالد، المجلد العاشر– العدد العشرون (١٤٣٣هـ/٢٠١٢م)

An Analysis of the Relationship between Market Structure and Profitability Performance: The Case of Jordanian Commercial Banks

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Abstract

This paper aim to investigate the impact of bank's characteristics، financial structure variables on bank's profitability conventionally referred to as the structure- conduct- performance (S C P) model in the Jordanian commercial banks for the 2005-2007 period listed on Amman Stock Exchange. The study used two models that take important variables of the Jordanian commercial banks. These variables bank's characteristics and financial structure variables are extracted from previous studies as well as from banks industry history. The first model of study variables was divided in two main categories internal variables and external variables related to financial structure indicators to show the impact on banks profitability. The results of run regression show there is a positive and significant relationship between the profitability measures and all internal and external variables in first model but in different years study.

When we the study applied the second model to investigate the relation between degree of concentration in the banking sector and performance it seems that the pre-tax profit indicator is only partly explained by the variables which we considered as relevant. The results indicate the positive and significant relationship between the pre-tax profit and the independent variables equity، debt، expenses in every year and in all variables for every year and in whole factors in all years. The study recommended encouraging future investigation in the SCP field. This can be undertaken with wider data availability to eliminate or optimally minimize the caveats presented throughout paper، to reduce concentration indicator and spur competition، and to boost the development of the equity market in order to improve bank's profitability .as bank and stock market was found to be complementary

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