

The Impact of Basel Convention (II) Norms in Capital Adequacy of Jordanian Commercial Banks on the Financial Performance

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Abstract This study aimed to identify the impact of the application of capital adequacy in commercial banks in accordance with the Basel Agreement (II) on the financial performance during the period (2009-2019), where the study population and its sample were from the financial statements of all Jordanian commercial banks during the period (2009-2019), and their number (13) Jordanian commercial banks, and to achieve the objectives of the study, the (EViews) program was used, where the study showed many results, including: There is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to the Basel Convention (II) on the financial performance. For commercial banks using Return on Assets (ROA) during the financial period (2009-2019), it also showed that there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to the Basel Agreement (II) on the financial performance of commercial banks using Return on equity (ROE) during the fiscal period (2009-2019). The study delivered several recommendations, and the most important one is that the necessity for commercial banks to be interested in benefiting from Basel (II) standards in making financial decisions is related to banks' risk management policies.

Keywords Capital Adequacy, Commercial Banks, Basel (II) Agreement, Financial Performance

1. Introduction

The economy of any society is divided into two sectors, real and financial. The real sector is the one in which profits are generated in general by contributing directly to the production process, and then bears risks from behind that contribution [1]. As for the financial sector, it includes institutions that are considered intermediaries between the deficit and the surplus owners. Through the mobilization of financing resources by the surplus owners and their injection for investment by the deficit-holders, among the most important institutions belonging to this financial sector are the banks [2].

Banks have recently witnessed a great development in terms of innovation and discovery of new financial tools that meet the increasing needs of customers, but this development has been accompanied by multiple financial crises, which led to a decline in the performance of many banks and even went beyond that to the bankruptcy of some banks as a result of these crises, which requires a system of control [3]. And to protect from these financial crises in order to preserve its money and the money of its depositors, the bank must protect depositors' money because of its great importance to every supervisory and supervisory authority over these banks [4].

Commercial banks represent the main axis in financing the activity of the national economy and its development and development. The capital represents the margin of

safety for depositors and is the line of defense against the risks to which the banking business is exposed [5]. The bank's transactions address high-risk activities. Among the most prominent of these requirements is the capital adequacy of interest to the bank's management and the regulatory and supervisory bodies represented by the Central Bank, and the protection of banks that suffer from weakness in their lending activity, which is an important vital activity; Reflecting the weakness in the implementation of the lending policy, capital adequacy reflects the continuity of the bank's operations and provides sufficient cash flows to cover all short-term obligations and operating expenses, and financial performance is usually used as an indicator of the bank's performance, and financial performance is usually expressed using return on assets (ROA) of the bank and return on equity (ROE) [6].

Moh'd Al-Tamimi and Obeidat [7] indicated that capital adequacy is defined as awareness and caution against risks of various kinds, which commercial banks may be exposed to from their operations.

Jordanian banks faced many challenges represented by openness, financial liberalization, and increased competition in the banking sector [8]. This led to an increase in the number of risks faced by banks, and therefore the commitment of commercial banks to the decisions of the Basel Committee on Banking Supervision would help banks in strengthening their financial capabilities and enhancing their competitive position, which would ensure their survival, continuity and growth in light of developments in banking work, and banks seek to achieve their goals including the goal of profitability [9], and since the banking sector in Jordan is one of the most important economic sectors that play an active role in economic life, and capital adequacy is the main driver of any investment project or business, which aims to increase productivity and replenish capital, and it has a clear impact on performance Financial [10]. Based on the study of AL-Shatnawi, Hamawandy [11], indicated that all banks located in Jordan, whether local, Arab or foreign, apply the decisions of the Second Basel Committee at a high level. The researcher considered studying the impact of the capital adequacy ratio in accordance with the Basel (II) Convention on financial performance, with the presence of (bank size and debt ratio) as controlling variables.

2. Literature Review

2.1. Basel Committee

The Basel Committee was established in 1974 under the supervision of the Bank for International Settlements in Basel, Switzerland, as a result of the aggravation of the external indebtedness crisis of developing countries, the increase in the volume of doubtful debts and the increase

in strong competition between Japanese, American and European banks due to the lack of funds in banks. The Basel Committee included representatives from a group of countries. The ten are: (Belgium, Canada, France, Federal Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, Britain, Luxembourg and the United States of America). The opinions and recommendations received in 1988 when the Board of Governors of the Central Banks of the Industrialized Countries and the European Union approved the Basel Committee's report on providing a unified standard for capital adequacy, whereby all public banks must commit that the ratio of capital to the total of their risky assets after weighting them with weights of credit risk to 8% as a minimum by the end of 1992 [12].

Basel Committee is the Banking Supervision Committee established by the Governor of the International Central Bank for the Group of Ten Countries in 1974. The membership of the Committee sought in 2009, then in 2014, and in 2019 to consist of 45 members from 28 states, which consist of central banks responsible for banking work aimed at setting a unified standard for the head of Money between all banks [13].

Basel II convention is a series of suggestions and consultations for member states. The first proposal to review the Basel I Convention, originating in 1988, was published in 1999 by the international settlement banks. Multiple proposals were submitted, accompanied by studies carried out by institutions and banks on their status, and many improvements were made to the first recommendation. Basel 2 was agreed upon by the authorities Member States in 1995, in which the most important amendments were made [14].

1. In 1995, the Basel Committee issued a set of proposals to implement the capital criterion by introducing market risks.
2. The main objective of amending the provision of guarantee to the capital against the risks to which banks are exposed
3. Allow banks to use an internal model to measure market risk.

The decisions of the Basel II Committee were issued to take into account a set of circumstances:

- Failure to observe the decisions of the Basel Committee in 1988 to determine the weights of risks and the degree of classification of the debtor.
- Improving the performance of banks to measure and manage risks.
- It is necessary to have security tools and control credit risks, such as financial derivative contracts.
- The emergence of new risks, such as the risk of fluctuating interest rates for assets and liabilities, and other risks such as operational risks.

Basel II Basic Objectives [15]:

- Increasing the degree of security and achieving the integrity of the global financial system.

- Adopting a comprehensive approach to dealing with risks and finding new test models that are more suitable for their application in banks.
- Supporting banks to follow sound risk management methods (credit risk) by introducing methods to measure credit risk.
- Achieving justice in competition through balancing the activities of international banks, ensuring the equality of regulations and legislation and not conflicting between political and public objectives.

2.2. Financial Performance Appraisal

The subject of evaluating financial performance is important for all business establishments, to know the financial position of the bank, and its ability to face the future using the available financial means. The evaluation of financial performance aims to show the ability of banks to use the resources available to them:

Financial performance “is the extent to which the institution achieves a margin of safety through its ability to deal with risks and challenge financial difficulties, thus eliminating the state of financial hardship” [16]. Financial performance represents “the institution’s ability to achieve its financial goals, by using the available funds and financial means effectively” [17]. The researcher believes that financial performance: knowing the financial position of the institution and its ability to face the future through good management of the institution. Financial performance indicators are among the most important tools that management relies on analyzing its financial statements. To know the soundness of its financial position, and among these indicators that were used according to the study variables:

Return on Assets

The return on assets is one of the indicators used to measure profitability, and its importance is that it measures the revenue power of the assets that are invested in the company, in addition to showing the ability and efficiency of the company in using the money obtained through various sources of financing and investment in an effective and successful manner. Return on assets by dividing net profit by total assets, which indicates an inverse relationship between the rate of return on assets and profit management [18].

Through the most important indicators of profitability and measuring the financial performance of enterprises, the focus will be on the percentage of return on assets. The return on assets expresses how enterprises use their assets to generate more profits, and measures the ability of the enterprise to invest its assets and expresses the final outcome, policy results, and decisions taken by management. Regarding liquidity and leverage.

The rate of return on assets is one of the most traditional financial indicators on which to measure financial performance because it is one of the profitability

ratios. It is considered one of the most important ratios that measure the company’s success as an indicator used to measure the company’s ability to achieve future profits through its total assets owned. The high indicates that the company is effective in managing its assets to achieve profits [19].

The return on assets shows the relationship of the enterprise’s profit to its total assets, and it is calculated by dividing the net profit for the year by the total assets, and it means the profits realized from every dinar invested in the assets of the enterprise, regardless of whether the source of funding is internal or external, and gives final answers about The general efficiency in the proper investment of assets to generate profits, and its importance lies in helping him to make decisions regarding borrowing by comparing it with the cost of borrowing, and the return on assets is measured through the following equation [20]:

$$\text{Return on Assets} = (\text{Net Income}) / (\text{total assets})$$

Return on Equity

The return on equity is one of the most important profitability ratios used and an important measure of the establishment’s success in generating income for ordinary shareholders, through its efficiency in financing its properties to generate a return for them, and it indicates the proper utilization of shareholders’ funds [21]. Ependi and Dalesna [22] defined it as the value of the return from each dinar invested by ordinary shareholders in the activities of the facility, and it is considered a tool for measuring profitability by revealing the amount of profit that it generates from the shareholders’ money that has been invested, and the return on equity is calculated by dividing the net profit for the year on the total equity, and it determines if the investment of the shareholders’ funds is in what brings them a sufficient return, and accordingly they decide to continue the activity or transfer their funds to other investments that achieve an appropriate return for them. On equity to compare the performance of facilities in the same industry as it represents a measure of management’s ability to generate income from available shares, and its decline can be used to reinvest profits to help the growth of the facility, and to understand changes in return on equity over time, by dividing it into three important elements, according to the (DuPont) formula, which is equivalent to the product of the profit margin, the total asset turnover ratio and the equity multiplier, as well as previously, the product of the profit margin and the total asset turnover ratio. Therefore, it represents the return on assets ratio.

Therefore, any increase in the return can be attributed to a rise in the financial leverage ratio or the return on assets from an increase in the profit margin on one hand, or the asset turnover ratio on the other hand, or both. If the reason is due to an increase in the value of the financial leverage index, then this means that the company relies

more on external sources in financing the shares; Since debts are exempt from taxes, the increase in debt in the capital structure of the enterprise is due to the increase in the return on equity, as its increase has a positive effect on the enterprise if the return on equity exceeds the interest rate on debt, the increase in one of the elements of the return on equity Ownership or all of it is reflected in the performance of the facility.

It is concerned with measuring the return on the amount invested by ordinary shareholders, as this measure takes the impact of both operational and financing activities, and it is affected by the degree of financial leverage and the size of debts in the capital structure, in addition to the rate of return on assets, and the return on equity is calculated by dividing the profits net after tax on equity, which includes paid-up capital, issue premiums, reserves and retained earnings. This indicator measures the return that shareholders achieve on their funds invested in the capital of the organization. The increase in the result of this indicator indicates the efficiency of investment and operating decisions in the organization [23]. However, the adoption of these indicators makes the accounting system and the information it provides to users tainted by shortcomings and shortcomings, and the reliance on accounting profit only - to measure the return on the investments of the economic unit and measure its profitability - withholds from the users of the financial statements the number of operational cash flows achieved (as opposed to income). (operational) on these investments [24].

Investors are interested in the return on ownership measure; Because it measures the extent of the company's ability to generate profits on the funds invested in the company's capital directly, as this measure is one of the important measures of the company's performance, and it can be noted that the measure relates to the return achieved by the ordinary shareholders, as they are the original owners in the company, and the return on the company can be measured Ownership through the following equation [25]:

$$\text{Return on Equity} = (\text{Net Income}) / (\text{Average Equity})$$

2.3. Related Study and Hypothesis Development

Moh'd Al-Tamimi and Obeidat [7] studied the impact of the application of some provisions of the Basel III Committee on capital adequacy, financial leverage and liquidity on the performance of Jordanian commercial banks. The study sample consisted of 11 Jordanian commercial banks, and the researcher used the methods of time series analysis of cross-sectional data and descriptive analysis in the study and analysis of the data. The study concluded that there is a negative and statistically significant relationship between non-performing loans, liquidity, and financial leverage on the performance of Jordanian commercial banks measured by the rate of

return on assets, while it did not show any statistically significant relationship between non-performing loans, liquidity, and financial leverage measured by the rate of return on the property.

Bayyoud and Sayyad [26] analyzed and measure the relationship between the application of the capital adequacy ratio and the profitability of local commercial banks operating in Palestine represented by the return on assets, the return on equity and the return on stock. A standard model was built to measure the relationship between the dependent variables and the independent variable based on the linear regression equation model. The study concluded that an increase in the capital adequacy rate leads to a decrease in the rate of return on assets, the rate of return on equity and the rate of return on share, which repels exaggerating the determination of capital adequacy and work to achieve balance requirements with other objectives of banks, which is to achieve profitability represented in increasing The mentioned rates as maintaining a state of balance between capital adequacy requirements and achieving profitability will give a broader scope to search for feasible investment opportunities with controllable risks and acceptable returns.

Citak and Kandil Goker [27] aimed to strengthen the banking system with a lower capital adequacy ratio (12%) than the standard ratio of 8% set by Basel standards. In this sense, it is important to identify the factors that affect the capital adequacy ratio, which is an important tool for managing risk and profitability. Commercial banks operating in Turkey whose complete financial data was available were used in the study and the panel data analysis was performed. According to the results, it was determined that there is a significant relationship between the capital adequacy ratio and the total assets volume of banks, the total deposits/assets ratio, the loan principal / total assets ratio, the interest margin and the loan / total non-performing loan ratios.

Andasarova [28] revealed the strategies used by banks since the beginning of the last financial crisis to achieve higher levels of capital adequacy. Empirical research on capital components and capital adequacy of the banking system in Bulgaria was conducted during 2007-2016 to see the actual reflection of the latest capital framework on the capital adequacy of the banking system and, based on the research findings, to provide conclusions about the current internal policies and accounting practices that would have an impact on improving equity in commercial banks and the banking system as a whole.

Ozili [29] investigated the determinants of bank profitability and discusses whether the capital regulation that is determined by the Basel Committee affects the profitability of banks and their continued interest in research. The researcher collected data of 6 banks from 2006 to 2013. The researcher found that the Basel capital system did not have a significant impact on the

profitability of banks, and the result is great because it does not support the opinion that amending the Basel Convention in different countries may be directed to achieving other precautionary goals in relation to the desired goal, after employing profitability measures. It was found that the significance of the determinants of banks' profitability depends on the profitability measure used. And the quality of loans greatly affects the margin of bank interest, while the size of the bank and efficiency greatly affect the return on assets. Finally, it was noted that the capital adequacy ratio is an important focus on and determinant of the profitability of banks, and the researcher concluded that his results do not provide sufficient evidence to support theoretical expectations that capital negatively affects the profitability of banks and that this study can be repeated in the future using the return on equity, because the researcher did not take into account ROE in his study, knowing that ROE significantly affects the capital market.

Abiola and Olausi [30] investigated the impact of credit risk management on the financial performance of commercial banks in Nigeria on a sample of 7 commercial banks for the period between 2005 and 2011. Money and non-performing loans on the financial performance of Nigerian commercial banks as measured by return on assets and return on equity.

Ejoh and Iwara [31] explored the impact of capital adequacy on the profitability of banks in Nigeria for the period from 1981 to 2011 using annual reports and statements of banks and the Central Bank of Nigeria. issued by Nigerian banks, and the second adopted the method of joint integration for statistical analysis of the collected data, and one of the most important findings of the study was the existence of an impact of applying capital adequacy positively on increasing the profitability of the bank, and the study also found that capital adequacy plays an important role on the rate of return On the assets (ROA), which measures profitability, and that there is a statistically significant relationship between the profitability of banks and capital adequacy, the study also recommended the need to carry out a continuous review of the minimum capital adequacy and work to strengthen banks' capital in a way that helps maintain confidence between banks and their customers.

Ezike and MO [32] examined the effect of adopting capital adequacy standards on the performance of Nigerian banks. The study used the descriptive analytical approach using two methods, the first based on previous studies to cover the theoretical aspect in addition to the annual reports issued by Nigerian banks, and the second adopted the method of statistical analysis of the collected data using the squares method. The most important results of the study were that capital adequacy standards have a

significant impact on the performance of banks and that Nigerian monetary policy has an impact on capital requirements. One of the most important recommendations was not to rely on the value of capital for banks as a criterion for success, and the focus should be on the efficiency and effectiveness of banking supervision.

Based on the previous studies, this research presented the following hypotheses:

H1: There is no statistically significant effect of the capital adequacy ratio according to the Basel Agreement (II) on the financial performance of commercial banks using return on assets (ROA) during the financial period (2009-2019).

H2: There is no statistically significant effect of the capital adequacy ratio according to the Basel Agreement (II) on the financial performance of commercial banks using the return on equity (ROE) during the financial period (2009-2019).

3. Methodology

The study population and its sample consist of the financial data of all Jordanian commercial banks during the period (2009-2019), which are (13) Jordanian commercial banks, due to the availability of all available data on the study variables for commercial banks during the targeted period. The following sources were relied upon in collecting study data to reach its results, which are previous studies, books, references and sources related to the subject of the current study; As well as master's and doctoral theses, scientific journals and websites related to the subject of the study in order to build the theoretical framework for the subject of the study. In addition to the annual financial reports issued by commercial banks (study sample) during the fiscal period (2009-2019). Statistical analysis of the study data was carried out using the (Eviews) program. The relationship between capital adequacy and financial performance will be studied, with the addition of bank size and debt ratio as controlling variables in the following regression models:

$$ROA_{it} = \beta_0 + \beta_1 CRA_{it} + \beta_2 Bank\ Size + \beta_3 Debt\ Ratio + \mu_{it}$$

$$ROE_{it} = \beta_0 + \beta_1 CRA_{it} + \beta_2 Bank\ Size + \beta_3 Debt\ Ratio + \mu_{it}$$

Where;

$$ROA_{it} = \text{Return on bank assets in year } t$$

$$ROE_{it} = \text{Return on equity of bank } i \text{ in year } t$$

$$CRA_{it} = \text{capital adequacy per year } t$$

$$Bank\ Size = \text{Bank Size (Total Assets) per year } t$$

$$Debt\ Ratio = Debt\ ratio\ per\ year\ t$$

$$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4 = regression\ model\ coefficient$$

$$= it = Error\ duration\ of\ the\ model$$

$$I = bank.$$

$$t = years.$$

4. Results

4.1. Descriptive Analysis of the Study Variables

In this part, the study variables will be described by extracting the lowest and highest values, arithmetic averages and standard deviations for each variable during the study period, as follows:

- The independent variable: the capital adequacy ratio according to the Basel Agreement (II). The following table provides a description of the capital adequacy ratio variable during the study period, as follows:

Table 1. Descriptive statistics of the capital adequacy ratio variable during the fiscal period (2019-2019)

Year	Lowest value	Highest value	Mean	Std. Deviation
2009	12.89	34.46	19.52	5.95
2010	11.67	29.53	18.50	5.66
2011	10.90	25.86	17.33	4.34
2012	12.08	36.71	17.86	6.26
2013	11.90	34.16	18.13	5.85
2014	13.10	31.67	17.49	4.76
2015	14.20	26.55	17.58	3.31
2016	13.33	22.61	17.16	2.70
2017	13.70	19.39	16.33	2.03
2018	11.50	19.60	15.69	1.83
2019	11.10	20.10	16.42	2.49
Total	10.90	36.71	17.46	4.38

It appears from Table (1) that the arithmetic average of the capital adequacy ratio during the financial period (2009-2019) amounted to (17.46) with a standard deviation of (4.38). This result indicates that there is a limited variation in the application of Basel II standards in Jordanian commercial banks; The value of the standard deviation was relatively low.

- Dependent variables: financial performance indicators of commercial banks (return on assets, return on equity). The following tables present a description of the financial performance variables (return on assets, return on equity) during the study period, as follows:

Table 2. Descriptive Statistics of Return on Assets Variable during the Fiscal Period (2019-2019)

Year	Lowest value	Highest value	Mean	Std. Deviation
2009	0.13	2.10	1.15	0.46
2010	0.43	2.51	1.26	0.58
2011	-0.17	1.89	1.05	0.60
2012	0.24	1.93	1.22	0.45
2013	0.30	1.96	1.26	0.52
2014	0.84	1.89	1.40	0.33
2015	0.05	1.69	1.13	0.47
2016	0.22	1.68	1.01	0.46
2017	0.27	1.54	0.93	0.40
2018	0.45	1.70	1.04	0.41
2019	0.17	1.61	0.92	0.37
Total	-0.17	2.51	1.13	0.47

Table (2) shows that the arithmetic average return on assets during the financial period (2009-2019) amounted to (1.13) with a standard deviation of (0.47), and the variance in the return on assets values for banks indicates a difference in the ability of commercial banks with regard to generating returns and net profit due to the existence of a difference in the financial resources and fixed assets available to each bank, and this difference can also be explained by a difference in the policies followed by the management of banks, and the different structure of assets in them, and this result may be explained by the different levels of technology used in providing services and optimum use of resources.

Table 3. Descriptive Statistics of Return on Equity Variable during the Fiscal Period (2019-2019)

Year	Lowest value	Highest value	Mean	Std. Deviation
2009	0.64	15.33	8.34	3.64
2010	2.41	16.87	9.11	4.10
2011	-1.45	16.37	7.50	4.56
2012	1.99	14.63	8.43	3.19
2013	2.81	15.44	8.79	3.24
2014	6.12	15.26	10.19	2.23
2015	0.33	13.39	8.65	3.43
2016	2.07	12.36	7.45	3.16
2017	2.53	11.22	6.79	2.33
2018	4.58	11.81	8.03	1.82
2019	1.23	11.16	7.40	2.17
Total	-1.45	16.87	8.24	3.20

It appears from Table (3) that the arithmetic average return on equity during the financial period (2009-2019) amounted to (8.24) with a standard deviation of (3.20), and the table shows the difference between the maximum and minimum value to the existence of a discrepancy between commercial banks during the period in the ability to generate returns for the owners. This difference may be due to two reasons: first, the ability of banks to rationalize their operating, administrative and general expenses in general to increase net profit, and secondly, the difference in total equity from one period to another from one bank to another as a result of issuing shares and retaining profits, gains or losses and revaluation of assets and liabilities.

● Control variables:

The following tables present a description of the controlling variables (bank size, debt ratio) during the study period, as follows:

Table 4. Descriptive statistics of the bank's size variable during the fiscal period (2009-2019)

Year	Lowest value	Highest value	Mean	Std. Deviation
2009	8.48	10.36	9.19	0.49
2010	8.53	10.37	9.22	0.48
2011	8.56	10.38	9.24	0.47
2012	8.68	10.38	9.28	0.45
2013	8.81	10.39	9.32	0.43
2014	8.91	10.41	9.36	0.41
2015	8.93	10.41	9.39	0.39
2016	8.98	10.38	9.40	0.38
2017	9.03	10.39	9.43	0.37
2018	9.06	10.41	9.45	0.37
2019	9.06	10.42	9.46	0.37
Total	8.48	10.42	9.34	0.42

It appears from Table (4) that the arithmetic average of the size of the bank during the financial period (2009-2019) was (9.34) with a standard deviation of (0.42). Also, it shows the change in the values of (bank size) for the banks of the study sample, during the financial period (2009-2019).

Table 5. Descriptive Statistics of the Debt Ratio Variable during the Fiscal Period (2009-2019)

Year	Lowest value	Highest value	Mean	Std. Deviation
2009	80.64	90.42	85.56	3.05
2010	82.23	90.93	85.78	2.86
2011	80.93	90.26	85.73	2.83
2012	78.04	89.81	85.26	3.33
2013	82.09	89.48	85.88	2.69
2014	81.83	89.67	86.13	2.16
2015	81.71	90.72	86.62	2.45
2016	82.69	89.76	86.61	2.43
2017	82.53	90.08	86.65	2.43
2018	82.86	92.50	87.39	2.78
2019	83.33	92.18	87.56	2.68
Total	78.04	92.50	86.29	2.71

It appears from Table (5) that the arithmetic average of the debt ratio during the financial period (2009-2019) reached (86.29) with a standard deviation of (2.71), and it shows the change in the values of (debt ratio) for the banks of the study sample, during the financial period (2009-2019).

4.2. Estimating Study Models

To determine which of these models should be chosen, and used in the analysis, the (Hausman test) was used, and the results were as follows:

Table 6. Hausman Test Results

Hypothesis	test	Ch2	Sig	The most accurate model
H1	Hausman	2.58	0.46	random effects model
H2	Hausman	3.37	0.34	

Based on Table (6) it is clear that the random effects model is the most accurate in estimating the model for the study hypotheses.

4.3. Hypotheses Testing

The first hypothesis: There is no statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to Basel (II) on the financial performance of commercial banks using return on assets (ROA) during the financial period (2009-2019) in the presence of (size bank, and debt ratio) as control variables. This hypothesis was tested by applying the multiple regression equation to study the impact of the capital adequacy ratio in accordance with Basel (II) on the financial performance of commercial banks using return on assets (ROA) during the financial period (2009-2019), and the following is a presentation Results: This hypothesis was tested by applying the multiple regression equation to study the impact of the capital adequacy ratio in accordance with Basel (II) on the financial performance of commercial banks using return on assets (ROA) during the financial period (2009-2019), and the table 7 is a presentation Results.

The results of Table (7) indicate that the value of the coefficient of determination (R^2) amounted to (0.460),

and this value indicates that the capital adequacy ratio according to the Basel Agreement (II) contributes (46%) of the change in the return on assets (ROA). The results also showed that the value of (F) amounted to (7.221), which is a statistically significant value at the significance level ($\alpha \leq 0.05$), and based on that, it was found that there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) for the capital adequacy ratio according to of the Basel Agreement (II) on the financial performance of commercial banks using the return on assets (ROA) during the financial period (2009-2019), and the results showed that there was no impact on the size of the bank and the debt ratio as controlling variables on the return on assets (ROA); As the (B, T) values of these variables were not statistically significant, and therefore the first hypothesis is rejected to become there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to the Basel Convention (II) on the financial performance of commercial banks using Return on assets (ROA) during the fiscal period (2009-2019) with (bank size, debt ratio) as controlling variables.

Table 7. The results of applying the multiple regression equation to study the impact of the capital adequacy ratio according to the Basel (II) Convention on the financial performance of commercial banks using return on assets (ROA)

Dependent variable	Coefficients				
	Construct	B	Std error	T	Sig
ROA	Gradient stability	6.457	3.087	2.092	0.038
	Capital Adequacy Ratio	0.003	0.015	0.208	0.836
	Bank size	-0.449	0.369	-1.217	0.226
	Debt ratio	-0.014	0.03	-0.469	0.64
R^2	0.460				
Adjusted R-squared	0.397				
F	7.221				
(F) sig	0.000				

Table 8. The results of applying the multiple regression equation to study the impact of the capital adequacy ratio according to the Basel (II) Convention on the financial performance of commercial banks using return on assets (ROE)

Dependent variable	Coefficients				
	Construct	B	Std error	T	Sig
ROA	Gradient stability	6.069	22.116	0.274	0.784
	Capital Adequacy Ratio	0.035	0.111	0.318	0.751
	Bank size	-4.22	2.642	-1.60	0.112
	Debt ratio	0.476	0.212	2.247	0.026
R^2	0.403				
Adjusted R-squared	0.333				
F	5.720				
(F) sig	0.000				

The second hypothesis: There is no statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to Basel (II) on the financial performance of commercial banks using the return on equity (ROE) during the financial period (2009-2019) with the presence of (bank size, debt ratio) as control variables.

This hypothesis was tested by applying the multiple regression equation to study the impact of the capital adequacy ratio according to Basel (II) on the financial performance of commercial banks using the return on equity (ROE) during the financial period (2009-2019). Table 8 is a display of the results.

The results of Table (8) indicate that the value of the coefficient of determination (R^2) amounted to (0.403), and this value indicates that the capital adequacy ratio according to the Basel Agreement (II) contributes at a rate of (40.3%) of the change in the return on equity (ROE). The results also showed that the value of (F) amounted to (5.720), which is a statistically significant value at the significance level ($\alpha \leq 0.05$), and accordingly it was found that there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) for the percentage of Capital adequacy according to the Basel Agreement (II) on the financial performance of commercial banks using the return on equity (ROE) during the financial period (2009-2019). The results also showed that there was no impact on the size of the bank; The values of (B, T) amounted to (-4.229, -1.601), respectively, which are not statistically significant values, while there is the impact of the debt ratio as a controlling variable on the return on equity; As the values of (B, T) reached (0.476, 2.247), respectively, which are statistically significant values, and therefore the second hypothesis is rejected to become: There is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to the Basel Convention (II) on The financial performance of commercial banks using the return on equity (ROE) during the fiscal period (2009-2019) in the presence of (bank size, debt ratio) as control variables.

5. Conclusion

Based on the analysis of the data and testing the hypotheses of the study, the researcher found that there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital adequacy ratio according to the Basel Agreement (II) on the financial performance of commercial banks using return on assets (ROA) during the period Financial (2009-2019), with the presence of (bank size and debt ratio) as controlling variables, and this result can be explained to that the capital function in the bank differs from that in other institutions, which is represented in the purchase of assets and the protection of creditors. In addition, there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the capital

adequacy ratio according to the Basel Agreement (II) on the financial performance of commercial banks using the return on equity (ROE) during the fiscal period (2009-2019). , with the presence of (bank size and debt ratio) as controlling variables, and this result can be explained that the efficiency and success of the bank in investing its money contributes through the rate of return on equity and the degree of capital adequacy, meaning any increase in the rate of return on equity will lead to a high degree of adequacy Capital and vice versa.

Based on the results shown in the result, the study recommends the necessity for commercial banks to maintain capital adequacy rates according to the rate determined by the Central Bank without exaggerating those rates in order to achieve a balance between the bank's objectives, including achieving a high level of financial performance. The necessity for commercial banks to be interested in training workers in the field of banking technology and preventive control. The necessity of developing plans and programs in order to follow up the implementation of any internationally agreed standards, especially the Baz Convention system. The need to identify the impact of the controlling variables dealt with in the current study (bank size, debt ratio) on financial performance in the necessity of applying Basel (II) standards in Islamic and commercial banks. Conducting future studies to identify the impact of capital adequacy application in commercial banks in accordance with the Basel (II) Convention on other financial variables such as (financial leverage and profitability).

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