Jordanian Commercial Bank Strategies in High-rate of Return Realization and its Relation with Liquidity Gap Management Performance

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ABSTRACT

Managing financial institutions has never been an easy task, but in recent years it has become more difficult because of greater uncertainty in economic environment. Gap management, "which is the difference between the dollar amounts of rate-sensitive assets and rate-sensitive liabilities has received more consideration as a result of substantial fluctuations in the market interest rate, which affect the value of assets and liabilities held by financial institutions. A major part of the business of banks is providing loans, and for these banks to earn high profit, they must make successful loans that are paid back in full (and so have low credit risk), but in reality, however, credit risk increases. Therefore it is not surprising that bank managers have become more concerned about managing the risks their banks face. The main objective of the study is to investigate the relationship between liquidity risks, interest rate risk and liquidity gap management in the commercial banks. The aim of the present research is to examine the effect of the different types of risk on liquidity gap management for a sample of Jordanian banks. It also aims to see if Jordanian commercial banks are complying with the Basel committee on banking supervision issues. This study, therefore, is of importance, because no similar study has been conducted in this area in Jordan, and it will be of great benefit to other researchers interested in this subject.