Identifying Financial Indicators Affecting Shareholders' Equity Using Factor Analysis

- Applied Study on Jordanian Islamic Bank –

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Abstract:
This research aimed to identify the most prominent financial indicators affecting shareholders' equity at the Jordanian Islamic Bank, a financial institution listed on the Amman Stock Exchange, using factor analysis, And testing the impact of these factors on shareholders' equity.

The research employed a descriptive methodology to examine the financial indicators affecting shareholders' equity at the Jordanian Islamic Bank. It considered several financial indicators and factors as independent variables and shareholders' equity as the dependent variable. Data was collected annually from the Securities Depository Center website at the Amman Stock Exchange between 2005 and 2024 and analyzed to test the proposed hypotheses.

The results showed that the financial indicators affecting shareholders' equity can be summarized into three factors: investments indicators, market valuation ratios, and profitability indicators. A statistically significant relationship was also found between most of the studied indicators (the independent variables) and the return on equity. Furthermore, the variables (market capitalization per share, return on investment, price-to-earnings ratio, and market value-to-book ratio) had a statistically significant impact on the return on shareholders' equity.

Keywords:
Factor analysis, quantitative methods, financial market, shareholders' equity, financial indicators, Amman Stock Exchange.

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تحديد المؤشرات المالية المؤثرة في حقوق الملكية باستخدام التحليل العاملي

– دراسة تطبيقية على البنك الإسلامي الأردني–

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المستخلص:

سعى البحث إلى تحديد أبرز المؤشرات المالية– في البنك الإسلامي الأردني كأحد المؤسسات المالية في بورصة عمان– المؤثرة في حقوق الملكية، من خلال تطبيق أسلوب التحليل العاملي، واختبار تأثير هذه العوامل على حقوق الملكية للمساهمين.

اتبع البحث المنهج الوصفي لرصد المؤشرات المالية المؤثرة في حقوق الملكية في البنك الإسلامي الأردني، إذ تناول بعض المؤشرات والعوامل المالية للبنك كمتغيرات مستقلة وحقوق الملكية(حقوق المساهمين) كمتغير تابع، وجمعت البيانات بشكل سنوي من الموقع الالكتروني لمركز إيداع الأوراق المالية في بورصة عمان خلال الفترة مابين عامي 2005–2024، جرت معالجتها لاختبار الفرضيات المطروحة.

أظهرت النتائج أنه جرى تلخيص المؤشرات المالية المؤثرة في حقوق الملكية ضمن ثلاثة عوامل، هي مؤشرات الاستثمار، مؤشرات نسب التقييم السوقي، ومؤشرات الربحية، وكذلك تبين وجود علاقة معنوية وذات دلالة إحصائية بين غالبية المؤشرات المدروسة(كمتغيرات مستقلة) ومتغير العائد على حقوق المساهمين، وكذلك هناك تأثير ذو دلالة إحصائية للمتغيرات (القيمة السوقية–العائد على الاستثمار–مضاعف الربحية–نسبة القيمة السوقية إلى القيمة الدفترية) على العائد على حقوق الملكية للمساهمين.

الكلمات المفتاحية:

التحليل العاملي، الأساليب الكمية، السوق المالي، حقوق الملكية، المؤشرات المالية، بورصة عمان.

Preface:

Financial markets help companies and governments create capital to finance their operations and investments, such as research and development, by enabling them to sell stocks and bonds to companies and investors.

The performance of financial markets is a vital indicator reflecting macroeconomic health and investor confidence, and it plays a pivotal role in guiding investment decisions and resource allocation. With the increasing complexity of the economic environment and the interconnectedness of influencing variables, the need has arisen for advanced analytical tools capable of sorting and classifying these variables and understanding the nature of the relationships between them. Among these powerful statistical tools is factor analysis, which has proven its effectiveness in reducing dimensions and identifying the underlying structures behind large, complex datasets.

This research aims to apply factor analysis methodology to identify the most important underlying and influencing factors in the return on equity of the Jordanian Islamic Bank, with the goal of simplifying the understanding of complex market dynamics. This method will be used to extract a set of underlying, unseen factors from among a large number of observed economic and financial variables (such as interest rates, inflation rates, corporate profits, liquidity indicators, and others). This process identifies the key drivers of performance and contributes to building more efficient and reliable predictive models.

The importance of this study stems from its ability to provide in-depth insights for financial analysts, decision-makers, and investors, enabling them to understand the fundamental drivers of market performance rather than simply observing superficial fluctuations. Furthermore, the anticipated results can contribute to designing more rational investment strategies and developing economic policies that support the stability and growth of the financial market.

This study will begin with a review of relevant previous literature, followed by an applied methodology based on collecting historical data related to the financial indicators in islamic bank in Jordan . It will apply factor analysis techniques to identify and validate these factors which affect the return on equity, interpret them, and discuss their practical implications and effect on the return on equity.

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Reference Studies and Previous Research:

1- Al-Ammar & Muhanna, (2016) entitled: "**The Role of Financial Indicators in Evaluating the Financial Performance of Islamic Banks Operating in Syria**", Tishreen University Journal for Research and Scientific Studies, Volume 38, Issue 6. (Al-Ammar & Muhanna, 2016)

This study aimed to evaluate the financial performance of Islamic banks operating in Syria using financial indicators during the period 2009-2015, and to examine the factors influencing their financial performance.

The relationship between financial performance evaluation as the dependent variable and several financial ratios and indicators as independent variables was studied.

The data necessary for the research was collected during the period from 2009-2015, relying on the quarterly financial reports of the Islamic banks operating in Syria, the subject of this study, issued by the banks themselves or the regulatory authorities overseeing them.

The study concluded that there is a positive relationship between the investment of funds and the evaluation of the financial performance of the studied banks, and a negative relationship between profitability and the evaluation of the financial performance of the studied banks. The absence of a correlation between the ability to attract savings, liquidity, and risk, and the evaluation of the financial performance of the studied banks.

2- Lydia, (2019) entitled: **Using Factor Analysis in Evaluating the Financial Position of Economic Companies**: A Case Study of the Ain El Kebira Cement Company during the period 1989-2016, Journal of Economics and Human Development, Volume 10, Issue 3, Mohamed El Ibrahimi University, Algeria. (Lydia,2019)

This study aimed to identify the extent to which factor analysis contributes to evaluating the financial position of the Ain El Kebira Cement Company (Setif) during the period 1989-2016.

This study relied on the financial statements of the Ain El Kebira Cement Company for the period 1989-2016 to establish a data base that served as input for exploratory factor analysis.

The study included 15 financial indicators classified into three groups: solvency indicators, profitability indicators, and efficiency indicators.

It was concluded that using factor analysis helps the financial analyst identify the financial indicators that have a significant impact and explain the company's current and past financial position. It also serves as a fundamental basis for forecasting. Furthermore, it was found that the financial position of a cement company is evaluated through three factors: liquidity, efficiency, and profitability.

3- Bunea et,al. (2019) entitled: "**Influence of some financial indicators on return on equity ratio in the Romanian energy sector - A competitive approach using a DuPont-based analysis**".
This study aimed to identify the financial indicators that strongly affect the return on equity (ROE) in the Romanian energy industry. The research was carried out on a sample of 1253 companies from the Romanian energetic industry. Thus, the study involved the use of five indicators/ratios that were believed to have a major influence on ROE. According to the results we obtained, asset turnover, price to earnings, price to book and financial leverage were the most relevant ratios to determine ROE, with the indication that asset turnover and price to earnings have had the strongest influence.
According to the results the researchers have obtained, asset turnover, price to earnings, price to book and financial leverage were the most relevant ratios to determine ROE, with the indication that asset turnover and price to earnings have had the strongest influence. (Bunea,2019).

4- Awwadi, (2020) entitled: "**Using Financial Analysis in Evaluating the Financial Performance of Economic Institutions**: A Case Study of Saidal Group (2013-2017)," PhD dissertation, University of Algiers. (Awwadi,2020)
This study aimed to determine the nature of the relationship between financial analysis and its role in evaluating the financial performance of economic institutions.
The independent variables in this study were the ratios and indicators of financial analysis, while financial performance was the dependent variable. The descriptive approach was adopted in the theoretical aspect of this research, through an in-depth analytical study of financial analysis. The analytical approach was also employed, applying various methods and tools of financial analysis to the case study of an economic institution, namely the Saidal Group. Among the most important findings: the study revealed the most significant financial imbalances plaguing the Saidal Economic Corporation, as well as the importance and necessity of employing financial analysis methods and tools to diagnose the financial position of the corporation and identify its strengths and weaknesses.

5- Shukri, (2022) entitled: "**Using Factor Analysis to Determine the Most Important Financial Ratios Affecting the Market Value of Shares of a Sample of Jordanian Banks**," published in the University of Duhok Journal, Volume 25, Issue 2, Iraq. (Shukri,2022)
This study aimed to uncover the nature of the relationship between the financial ratios used in the research and the shares of the banks in the

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sample. It also aimed to identify a set of ratios used and select the most effective ones, as well as to identify the most important financial ratios that influence the value of the banks, both at the overall level of the sample and at the level of each individual bank.
The study examined a set of financial ratios (10 in total) as independent variables to determine their impact on the dependent variable: market value. The study concluded that factor analysis contributed to reducing the number of research variables that affect the value of the stock. It included first-level variables, which are the common variables for the three banks, which included dividends distributed per share and dividends distributed to market value, and second-level variables, which included common variables for at least two banks, which are return per share, market value to return, dividends distributed per share to return per share, and market value to book value.

The advantages of this study over previous studies:

This study differs from previous studies in the following points:
-The nature of the banks studied, as the study focuses on the Jordanian Islamic Bank.
-It addresses more than one indicator to evaluate the financial performance of the Jordanian Islamic Bank.

1- Methodology:

Research Problem:

The core problem is the complexity and multitude of financial indicators that can potentially influence a bank's Shareholders' Equity. Investors, analysts, and the banks themselves are often overwhelmed by dozens of ratios from financial statements (income statement, balance sheet, cash flow). It's difficult to discern which ones are truly fundamental and which are redundant or less important.

This process relies primarily on a large and interconnected set of financial indicators and ratios (such as profitability, liquidity, activity, debt, and market capitalization ratios) that are often difficult for decision-makers (such as management, investors, lenders, and analysts) to monitor and analyze their internal relationships individually.

The research problem can be summarized in the following sub-questions:

1) Can factor analysis reduce the number of financial indicators that influence the return on equity?

2) Is there a statistically significant relationship between the financial indicators and the return on equity in the bank?
3) Do financial indicators have a statistically significant effect on return on equity?

Research Importance:

The importance of this study revolves in its addressing a vital and highly important topic at financial institutions: Return on equity. It may also contribute to developing a methodological framework for analyzing financial indicators using advanced statistical tools, including factor analysis, and simplifying complex traditional models. This research has academic and theoretical contribution, which adds additional value to the libraries in the field of quantitative financial analysis. It also provides an effective tool for diagnosing the strengths and weaknesses of the equity in the bank based on a limited number of clearly defined factors. Also the importance of this research comes from the importance for the Islamic Banking Industry. Therefore, it can be said that this research bridges the gap between financial analysis and modern quantitative techniques, making it highly valuable in ensuring financial sustainability.

Research Objectives:

This research aims to achieve the following:

1. Analyze and group various financial indicators into key factors that determine the return on equity of the Jordanian Islamic Bank.
2. Using Factor Analysis to reduce these ratios to a limited set of key factors that explain equity.
3. Identify the most important financial indicators and ratios that carry the greatest weight and influence for each factor.
4. Identifying Financial Indicators Affecting Shareholders' Equity.
5. Measure the impact of these factors on return on equity and discover the relationships between them.

Research Variables:

The research addressed the following variables:

a. Independent Variables: Financial indicators (10 in total).

b. Dependent Variable: Return on Equity in the bank.

Research Model:

The research model can be represented by the following diagram:

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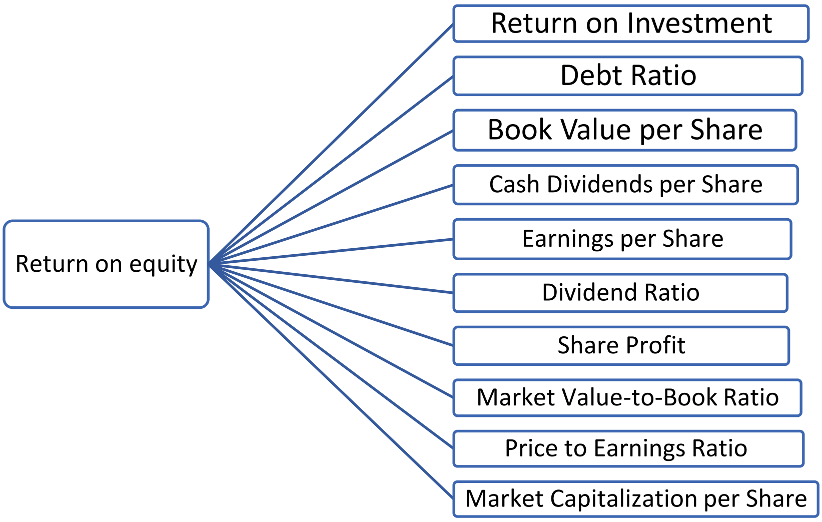

Figure1. Research model

Research Hypotheses:

This research seeks to verify the following hypothesis: There is no statistically significant impact of financial indicators on the financial performance of the Jordanian Islamic Bank. This main hypothesis leads to two sub-hypotheses:

1) Factor analysis can reduce the number of financial indicators that influence return on equity.
2) There is no statistically significant relationship between the resulting financial indicators and return on equity in the bank.
3) The financial indicators have no statistically significant effect on return on equity.

Research Population:

The research population includes the financial statements and indicators related to the Jordanian Islamic Bank over a 20-year period, which is the timeframe covered by the study. The study employed a survey methodology for the Jordanian Islamic Bank. This method allows for the precise analysis and interpretation of available information and data concerning a specific phenomenon. It involves identifying, classifying, and organizing purely descriptive data and facts, and striving to distinguish scientific, correlational, or meaningful aspects, interpreting them clearly and objectively.

Research Methodology and tools:

The descriptive method is considered the most suitable approach for financial analysis studies, as it describes the reality of companies and analyzes the relationships between variables. The quantitative method, relying on financial data, was used to analyze relationships and make predictions using statistical and mathematical methods.

The necessary data for the study and hypothesis testing were collected from the historical financial data of the Jordanian Islamic Bank, a company listed on the Amman Stock Exchange. The data was analyzed using specialized computer programs, particularly SPSS.

Research limits:

•**Subject limits**: The study analyzes and applies financial ratios and indicators using factor analysis, and examines their impact on the financial position of the companies studied.

• **Spatial limits**: The study focuses on the Jordanian Islamic Bank, a financial company listed on the Amman Stock Exchange.

•**Temporal limits**: The study covers the annual financial data of the Jordanian Islamic Bank during the period 2005-2024, available data was collected annually.

Introduction:

The financial performance of banks is a cornerstone in measuring their efficiency, viability, and competitiveness in a complex and constantly fluctuating market. This performance is not only important to the bank's management but also to all stakeholders, including depositors, investors, and regulatory bodies, as it reflects confidence in the health of the banking sector and its overall economic stability. Given the unique banking environment in which the Jordanian Islamic Bank operates, adhering to the principles of Islamic Sharia, the need arises to develop precise analytical tools for evaluating its performance in a manner appropriate to its specific nature.

Bank management, both conventional and Islamic, faces a significant challenge in the abundance of financial indicators and ratios (such as liquidity, profitability, risk, and efficiency ratios) used in evaluation. Dealing with this large number of ratios, which are often interconnected and overlapping, can complicate the analysis process and make it difficult to

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identify the most fundamental and influential indicators of a bank's true financial performance. Hence, the research problem lies in the need for a sophisticated statistical method capable of simplifying this complex data and identifying the underlying factors.

To overcome this problem, factor analysis emerges as a powerful and effective statistical tool. This method aims to reduce data by identifying a limited set of key factors (dimensions) that explain the greatest possible variance across a large set of observed variables (financial indicators and ratios). In other words, factor analysis helps uncover the underlying structure of the data and highlight the most significant and influential indicators, providing analysts and managers with a clearer and more focused picture of the true drivers of performance.

Therefore, this study aims to fill an applied gap by employing factor analysis methodology in the Islamic banking sector in Jordan. It focuses on the case study of the Jordanian Islamic Bank, given its leading role and significant contribution to the Islamic banking industry in the Kingdom. The research will analyze the bank's financial data to extract the most significant factors representing its performance and identify the most influential financial ratios.

2 -Theoretical Framework of the Research:

-Definition of Financial Analysis:

Financial analysis is defined as the statistical and mathematical methods and techniques used by financial analysts on financial data and accounting statements to evaluate the past and present performance of institutions and predict their future financial position. (Shanouf,2012)

- Financial Indicators and Factors Addressed in the Research:

The research addressed the following financial indicators and ratios for the Jordanian Islamic Bank, for which data was available between 2005 and 2024, also the researcher excluded the liquidity and activity factors, because data about these factors was not available on Amman stock exchange website.

1) Return on Investment (ROI).

ROI can be defined as the outcome of an investment, which takes the form of interest, profits, returns, or capital gains. Therefore, ROI is either in the form of cash dividends or capital gains. (Al-Ashhab,2015)

2) Debt Ratio.

This ratio analyzes the company's long-term debt. It represents the volume of external financing from short-term and long-term debt and provides information on the extent to which creditors are protected from the company's insolvency and its ability to obtain additional financing for potential investment opportunities. (Al-Nuaimi,2007)

3) Book Value per Share.

The book value per share represents the value of each share based on the company's book value. This value shows what would remain for shareholders if the company were liquidated, all assets sold, and all debts paid. It is used to compare the true value of a stock with its market price. A stock can be considered undervalued if its book value is higher than its market price. It is calculated by dividing total shareholders' equity by the total number of outstanding shares. (Sheikha,2021)

4) Cash Dividends per Share

Cash dividends per share show what a shareholder receives from the company's profits, which are distributed to shareholders in cash at the end of the year (Al-Sayrafi,2014). They are calculated by dividing total reported profits by the number of outstanding shares and are paid regularly (e.g., quarterly or semi-annually) or on special occasions.

5) Earnings per Share (EPS).

This is a financial metric that shows how much income each share earns from the company's profits (Khider,2022). It is calculated by dividing the company's net income by the number of outstanding common shares. EPS is a key indicator of a company's financial health and performance, as a higher ratio indicates greater earnings per share. This ratio is used by investors to evaluate stocks and compare company performance.

6) Dividend Ratio

This ratio is an indicator of the company's dividend policies and the attractiveness of the available return on investment (Shehadah,2015). It represents the percentage of a company's profits that it pays to its shareholders as dividends. It is calculated by dividing the total dividends paid by the company's total net profit. This ratio reflects how a company allocates its earnings; mature companies often have higher ratios, while

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developing companies tend to retain profits for reinvestment. A ratio of 50% or less is considered healthy and sustainable, while a ratio exceeding 70% may be risky.

7) Share profit.

This refers to the total earnings per share, including any capital gains, expressed as a percentage of the initial investment. Share profit represents the percentage of cash payouts received by the investor compared to the market price of the share.

8) Market-to-Book Ratio.

The market-to-book ratio equals the market price of a share of a company's common stock divided by its book value—that is, the shareholders' equity per share. Some analysts consider shares of a company with a low market value to book value ratio to be a safer investment. (Alan et,al. 2024)

9) Price-to-Earnings (P/E) Ratio.

The price-to-earnings (P/E) ratio indicates how many times a stock's market capitalization is covered by its earnings per share (EPS). A lower P/E ratio indicates higher EPS. The P/E ratio is more important than EPS itself, and the lower the P/E ratio, the better. It is calculated by dividing the stock's market capitalization by its EPS. (Griffin,2023)

10) Return on Equity (ROE).

ROE measures a company's profitability and efficiency in generating returns for its shareholders. It represents the ratio of net income to total shareholders' equity. (Al-Suwaidan,2025)

- Factor Analysis Concept

Factor analysis is an important statistical method that researchers can use to analyze multivariable data. It examines the relationships between variables and reduces them to a smaller number of factors that explain the phenomenon under study (Abdulaziz,2014). This is done in a precise, systematic, and economical way to gain a clearer and better understanding of the phenomenon. Factor analysis aims to reduce variables to a smaller number of key factors that can explain a phenomenon, highlighting underlying elements that are difficult to detect but may play a role in explaining the relationships between many variables. This leads to a new set of variables (factors), with a smaller number, which can partially or completely replace the original set. (Abu Fayed, 2016)

There are two types of factor analysis. One is called exploratory factor analysis, which aims to reduce the number of observed variables that make up the main variable under investigation to a smaller number called factors. It seeks to uncover an underlying structure behind the data. The other is confirmatory factor analysis, which confirms previously identified factors and either confirms or refutes the assumed structure. (Ghanem, 2013)

This research will focus on the first stage, exploratory factor analysis, by exploring the factors underlying the financial performance of the Islamic Bank of Jordan and the number of indicators that each factor will exhibit. - Basic Terms in Exploratory Factor Analysis

There are several terms and concepts used in factor analysis that help determine the appropriate number of factors and interpret the underlying structure of data. These can be used to assess the aggregate validity of a measure. They are:

1. **Ratio of Variance Criterion**: The ratio of variance expresses the amount of total variance in the original variables explained by each extracted factor. It is the total variance explained by all factors. There is no fixed minimum threshold for this ratio; however, researchers in social sciences, such as management, generally agree that 60% or less is acceptable.(Rizq Allah,2002)

2. **Latent Root**: The latent root indicates the variance explained by the factor as a whole. The latent root of a factor, before rounding, must be at least one for it to be considered statistically significant. The latent root can be defined as: "The sum of the total variance extracted by the factor." (Al-Jada'I,2005)

3. **Communality**: Communality indicates the proportion of variance in a particular variable explained by the factor.

4. **Factor saturation**: This is a measure of how closely each variable (question/item) is related to a specific factor (latent concept), and it reflects the strength of this relationship. Saturations that exceed 0.3 are considered significant, and they show that the variable contributes to describing the factor. This value is used to interpret factors and determine their importance in summarizing large amounts of data into fewer key concepts. It is usually obtained after rounding the factors to improve their clarity.

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3- Presenting the Results of Statistical Analysis and Hypothesis Testing:

1. First Sub-Hypothesis

This hypothesis states that "Factor analysis can reduce the number of financial indicators that influence return on equity."

It can be said that the main objective of using factor analysis is to accurately describe the relationships between the studied primary variables. Factor analysis requires three basic steps: (Hamadeh,2002)

1. Preparing a matrix of correlation coefficients between the studied primary variables.

2. Extracting the primary factors used.

3. Interpreting the results of the factor analysis.

To test the proposed hypothesis, the data included in the study sample were analyzed by applying factor analysis to the available financial data and information about the Jordanian Islamic Bank. This was done to reduce the number of variables and arrive at the factors that best represent all the data. The following table shows the results of the factor analysis:

Table No. 1 Results of Factor Analysis of Financial Indicators

		Factor saturations		
ID	**Variable Name**	**Factor1**	**Factor 2**	**Factor 3**
1	Return on Investment	----	----	**0.930**
2	Debt Ratio	----	**0.311**	----
3	Book Value per Share	**0.865**	----	----
4	Cash Dividends per Share	**0.962**	----	----
5	Earnings per Share	----	----	**0.943**
6	Dividend Ratio	**0.942**	----	----
7	Share Profit	**0.864**	----	----
8	Market Value-to-Book Ratio	----	**0.823**	----
9	Price to Earnings Ratio (P/E ratio)	----	**0.903**	----
10	Market Capitalization per Share	----	**0.967**	----

	Under-Root Root	4.71	2.02	1.97
	Percentage of Explained Variance %	40.12	26.97	19.86
	Cumulative Percentage of Explained Variance %	40.12	67.09	86.94

*Source: Statistical analysis results using SPSS software.

The results shown in the table above indicate that all nine (10) variables related to the financial information of the Jordanian Islamic Bank, obtained from the website of the Securities Depository Center at the Amman Stock Exchange, were summarized. Three main factors representing this information were extracted:

Factor 1:

This factor was loaded with four variables: book value per share, cash dividends per share, dividend ratio, share profit. These are fundamental and crucial financial indicators for investors in evaluating company performance and their shares. This factor explains 40.12% of the total variance of the studied variables.

Factor 2:

This factor was also loaded with four variables from all the variables: debt ratio, market value-to-book ratio, price-to-earnings ratio, and market capitalization per share. This factor also explains 26.97% of the total variance of the variables included in the study.

Factor :3

It was loaded with only two variables: return on investment and earnings per share. This factor explains 19.86% of the total variance of the studied variables.

From the above, it can be concluded that all the variables used in this research concerning the financial indicators of the Islamic Bank of Jordan possess validity (collective validity) for the following reasons:

A. The two main conditions for using factor analysis were met.
B. The Kaiser-Meyer-Olkin (KMO) scale, with a value of 0.518, indicates a sufficiently large sample size.
C. The significance level of the Bartlett test is 0.000, which is less than 0.05, meaning there are at least significant correlations between some of the variables, sufficient for using factor analysis. The following table shows the results of the KMO and Bartlett tests:

Table No. 2 Results of the KMO and Bartlett Tests

KMO Test	0.518	
Bartlett Test	420.526	Chi Square
	45	Degree Freedom
	0.000	Significance

*Source: Statistical analysis results using SPSS software.

The saturations of all variables on the three factors were greater than the acceptable threshold (0.60). Furthermore, all pre-rounded latent root values for all factors were greater than one, meeting the latent root criterion. The proportion of total variance explained by the extracted factors combined (86.94%) was also greater than the "minimum acceptable threshold in social research (%60).

Based on the above, the three factors extracted using factor analysis can be classified into three main groups(factors), the naming of the factors comes from the :

A. Profit Indicators:

These indicators include: book value per share, cash dividends per share, dividend ratio, share profit.

B. Market Valuation Ratios:

These indicators include: debt ratio, market value-to-book ratio, price-to-earnings ratio, and market capitalization per share.

C. Investment Indicators:

These indicators include: return on investment and earnings per share.

2. Second Sub-Hypothesis:

This hypothesis states that " there is no statistically significant relationship between the resulting financial indicators and return on equity in the bank."

To test the above hypothesis, a correlation matrix was prepared between the original variables included in the study sample (financial information), which numbered (10) variables, and the return on equity variable.

Using factor analysis, a correlation matrix was derived between all the data and variables. The correlation coefficients between the financial factors and variables and the return on equity are shown in the following table:

Table No.3 Correlation Coefficients between financial indicators and Return on Equity

Factors	Financial Indicators (Independent Variables)	Correlation coefficient	Significance
Investment	Return on Investment	0.697**	**0.001**
	Earnings per Share	0.704**	**0.001**
Profit	Book Value per Share	-0.660**	**0.002**
	Cash Dividends per Share	-0.400	0.080
	Dividend Ratio	-0.555*	**0.011**
	Share Profit	-0.410	0.073
Market Valuation	Debt Ratio	0.605**	**0.005**
	Market Value-to-Book Ratio	0.600**	**0.005**
	Price to Earnings Ratio (P/E	-.076	0.751
	Market Capitalization per	0.329	0.157

*Source: Statistical analysis results using SPSS software.

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The table above, specifically the significance level column, shows that many correlations between the studied financial indicators (as independent variables) and the return on equity variable were statistically significant except the variables (Cash Dividends per Share- Share Profit- Price to Earnings Ratio- Market Capitalization per Share), they have no relationship with the return on equity.

Based on the above, it can be concluded that a company (Jordanian Islamic Bank) that achieves higher profits and utilizes its shareholders' equity more efficiently is considered more attractive to investors. This attractiveness motivates investors to purchase its shares, thus raising the share price and, consequently, the market valuation ratios.

3.Third Sub-Hypothesis

This hypothesis states that " the financial indicators have no statistically significant effect on return on equity".

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Table No. 4 Multiple Regression Test for the Effect of Independent Variables on Return on Shareholders' Equity

Factors	Variables	Standardized Coefficients Beta	td. Error	T	Sig.
	Fixed	-73.711	37.399	-1.971	0.080
Investment	Return on Investment	5.557	2.416	2.300	**0.047**
	Earnings per Share	21.644	11.647	1.858	0.096
Profit	Book Value per Share	1.666	1.623	1.027	0.331
	Cash Dividends per Share	-9.963	15.526	-0.642	0.537
	Dividend Ratio	0.054	0.066	0.824	0.431
	Share Profit	-0.266	0.311	-0.854	0.415
Market Valuation	Debt Ratio	0.796	0.376	2.119	0.063
	Market Value-to-Book Ratio	6.550	1.225	5.345	**0.000**
	Price to Earnings Ratio (P/E ratio)	-0.348	0.147	-2.377	**0.041**
	Market Capitalization per Share	-2.405	0.547	-4.397	**0.002**

*Source: Statistical analysis results using SPSS software.

The table above, considering the significance level of the coefficient, shows that the variables (market capitalization per share, return on investment, price-to-earnings ratio, and market value-to-book ratio) have a statistically significant effect on return on equity. However, the debt ratio,book value per share, cash dividends per share, earnings per share, dividend ratio, and share profit did not have any effect on the return on equity.

Results & Conclusions:

The research has reached several key findings, including:

1. The financial indicators affecting the return on equity of the Jordanian Islamic Bank can be summarized in three main factors: profitability indicators, market valuation ratios, and investment indicators, this resulted from using factor analysis to analyze 10 financial indicators in the bank.

2. The variables (market capitalization per share, return on investment, price-to-earnings ratio, and market value-to-book ratio) have a statistically significant effect on return on equity, this resulted from using multiple regression to test the effect of the factors on the return on equity, where the significance level was less than 0.05.
3. The debt ratio, book value per share, cash dividends per share, earnings per share, and share profit did not have any effect on return on equity, this result was presented in multiple regression, where the significance level was more than 0.05
4. .The correlation coefficients between the studied financial indicators, including return on investment, earnings per share, book value per share, dividend ratio, debt ratio, market value-to-book ratio, and the return on equity variable were statistically significant, this result was presented in correlation table, where the significance level was less than 0.05.
5. There was no statistically significant relationship between Cash Dividends per Share- Share Profit- Price to Earnings Ratio- Market Capitalization per Share and return on equity, this was clear from the result was presented in correlation table, where the significance level was more than 0.05.

Recommendations:

The research concluded with a set of recommendations:

1. Conduct a thorough study of the bank's investments to ensure the highest return, which will positively impact return on equity.
2. Enhance trust and transparency with investors and the market through clear and continuous financial disclosure.
3. Conduct a comprehensive review of the dividend policy. In the long run, it may be more beneficial for shareholders to reinvest these profits in expansion projects or profitable investments rather than distributing them. This would enhance the bank's growth and profitability, and consequently, its market value in the long run.
4. Avoid relying on both the debt ratio and earnings per share as primary indicators of the bank's performance in this context. Instead, focus on indicators with a strong and direct impact.

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