“Moderating effect of bank performance on bank value: Evidence from Jordan”

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MODERATING EFFECT OF BANK PERFORMANCE ON BANK VALUE: EVIDENCE FROM JORDAN

Abstract

The relationship between bank performance and bank value is a crucial area of study, particularly in the context of emerging economies like Jordan. This study aims to investigate the moderating effect of bank performance on bank value, providing insight into how performance metrics influence overall valuation. The study employs a comprehensive methodological approach, utilizing panel data regression analysis to examine data from a sample of Jordanian banks over the period from 2014 to 2022. Key performance indicators such as Tobin's Q, accounting conservatism, debt ratio, current ratio (CR), return on assets (ROA), and asset turnover are factors that influence bank value in the Jordanian market. The results reveal that bank performance significantly moderates the relationship between bank-specific factors and bank value. Specifically, the study finds that return on assets has a positive and statistically significant effect on bank value. The analysis reveals a significant positive correlation between bank value and profitability, as evidenced by a moderate positive correlation coefficient (0.26) between Tobin's Q and ROA. However, weak or non-significant correlations are observed between bank value and accounting conservatism, debt ratio, and asset turnover.

Keywords banking performance, emerging economies, return on assets, return on equity, net interest margin, Jordanian banks

JEL Classification G21, G32, M41

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INTRODUCTION

The banking sector is fundamental to any nation's economic stability and growth. In Jordan, banks' performance is particularly crucial, not only for the financial system but also for the country's overall economic health. The connection between bank performance and a bank's value has been widely studied as it is an important issue for investors, regulators, and policymakers. As an intermediary between savers and borrowers, banks' role in allocating resources determines prices, which then have a ripple effect on economic development.

Although various studies have shed light on performance and value drivers in banks, how different accounting and other economic attributes affect bank values as a function of different divisions used to measure their own countermanded role between capital structure and conservatism remained the issue of a few studies. This gap is of particular importance in the case of Jordan, whose banking sector has faced certain economic and regulatory difficulties quite alien to most other countries.

Over recent years, the landscape of international finance has undergone significant changes due to the turbulent economic times, regulatory reforms, and a changing technological environment. These

changes have increased pressures on banks to pursue robust metrics sustainably to maintain value and competitiveness. Being strong influencers, Jordanian banking is not isolated from these global trends; some key challenges involve regulatory compliance, risks, and innovation in technology. Because of these different factors at play, the understanding of bank performance as a moderator in bank value becomes highly relevant.

With Jordan emerging as one of the fastest-growing economies in the world, understanding what drives bank value becomes very critical. Bank value is a root measure that affects investment decisions, strategic planning, and the competitiveness of organizational performance as a whole. To the best of our knowledge, this is a critical component of the moderation effect in Jordan that is still poorly understood – how does bank performance moderate these relationships?

1. LITERATURE REVIEW

Capital structure and accounting conservatism are vital for enhancing company value. Lara et al. (2009) and LaFond and Roychowdhury (2008) found that accounting conservatism reduces information asymmetry between shareholders and managers, thereby lowering agency costs and protecting shareholders' interests. In addition, Cullinan et al. (2012) indicate that implementing accounting conservatism in financial reporting aligns managers' actions with shareholders' interests, ultimately boosting firm value. Kraus and Litzenberger (1973) and Jensen and Meckling (1976) explained that a firm's market value using debt equals the value of firms without debt plus tax savings minus the present value of bankruptcy costs.

For other variables influencing book value, Kirimi et al. (2022) found that the companies with low debt experienced a decrease in price-to-book value, while those with high debt saw an increase. Similarly, Terraza (2015) and Mutmainah (2015) identified a firm size as a significant determinant of company value, whereas Erlangga and Mawardi (2016) emphasized its crucial effect. Conversely, Vatansever and Hepsen (2013) and Pigrum et al. (2016) reported that the debt ratio did not significantly influence company value. Nagano (2018) observed that organizational size did not significantly affect Italian banks' operational performance and debt securities issuance.

Regarding solvency ratios, Kalbuana et al. (2021) and Harefa et al. (2022) examined the effects of ROI, current ratio, ROA, and debt-to-equity ratio on the firm value in the beverage sector. They employed various tests, including multicollinearity, normality, and heteroscedasticity. They concluded that ROA, ROI, and the debt-to-equity ratio significantly influence the company value, while the current ratio does not. Similarly, Husna and Satria (2019) found that ROA and firm size affect company value, whereas the debt and payout ratios do not.

Return on assets (ROA), representing bank performance or profitability, measures the returns generated from assets utilized in company operations (Mansour et al., 2020). Kontesa (2015) noted that management effectiveness is reflected in the returns from sales and investments. Manu et al. (2019) indicate that high profitability enhances a bank's financial flexibility, enabling dividend payments and positive capital market ratings. Abu-Alkheil et al. (2021) emphasize that profitability allows investors to assess how efficiently a bank uses its funds for operations to achieve higher profits. Consequently, bank performance serves as a positive signal to investors, playing an important role in enhancing bank value.

Accounting conservatism has been shown to reduce information asymmetry between shareholders and managers, thereby lowering agency costs and protecting shareholder interests (Mansour et al., 2022). Lara et al. (2009) and LaFond and Roychowdhury (2008) emphasize that the conservative accounting practices can enhance firm value by providing more reliable financial information. Cullinan et al. (2012) suggest that accounting conservatism acts as a governance mechanism, preventing opportunistic behavior by management. This aligns managers' actions with shareholders' interests, ultimately boosting firm value.

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The trade-off theory, discussed by Kraus and Litzenberger (1973) and Jensen and Meckling (1976), posits that the leverage balances the debt financing balances against the costs of potential bankruptcy.

Return on assets (ROA), representing bank performance or profitability, measures the returns generated from assets utilized in bank operations. Kontesa (2015) notes that management effectiveness is reflected in the returns from sales and investments. Manu et al. (2019) argue that high profitability enhances a bank's financial flexibility, enabling dividend payments and positive capital market ratings.

Several studies have examined Jordan's specific context. For instance, Alkordi et al. (2017) found that accounting conservatism positively affects bank value by improving the reliability of financial statements. Abu-Tapanjeh (2006) highlighted the impact of capital structure on bank performance in Jordanian firms, noting that optimal leverage enhances firm value. Z. Ramadan and I. Ramadan (2015) further support these findings, indicating that firm performance significantly moderates the relationship between capital structure and bank value.

Comparative studies from other emerging markets provide additional insights. In Turkey, Bellikli and Daştan (2021) demonstrated that accounting conservatism leads to higher firm value by reducing the risk of financial distress. Similarly, in Malaysia, Wahba (2014) found that the impact of capital structure on firm value is moderated by firm performance, particularly profitability.

In summary, the literature consistently asserts the idea that capital structure and accounting conservatism are important for increasing bank value. Bank performance, particularly profitability, serves as a critical moderating variable that enhances these relationships. The empirical evidence from Jordan aligns with findings from other emerging markets, indicating the robustness of these relationships across different contexts.

This research uses empirical evidence from Jordan to investigate the moderating effect of bank performance on the relationship between bank value and its determinants.

The moderating effect of bank performance on bank value has been a significant area of research, particularly in emerging markets like Jordan. This study aims to explore this relationship, focusing on capital structure and accounting conservatism as key determinants of bank value, with the bank performance acting as a moderating variable.

The hypotheses are:

H01: Accounting conservatism does not have a statistically significant impact on bank value.

H02: Capital structure does not have a statistically significant impact on bank value.

H03: Bank performance does not moderate the significant impact of accounting conservatism and capital structure on bank value.

2. METHOD

This study employs a quantitative research design to investigate the moderating effect of bank performance on bank value, focusing on the Jordanian banking sector. The research follows a correlational approach, aimed at identifying relationships between bank performance metrics, capital structure, accounting conservatism, and bank value. The moderating role of bank performance in these relationships will be tested using statistical analysis, specifically multiple regression analysis with interaction terms.

The data used in this research are primarily secondary and have been collected from publicly available sources. Financial reports, including income statements and balance sheets, are sourced from the Jordanian Stock Exchange (ASE) database, annual reports of listed Jordanian banks, and other financial disclosures available on the banks' official websites.

The data will be analyzed using statistical software such as SPSS to conduct the regression and moderation analyses, along with generating descriptive statistics and correlation matrices.

Here, some of the most common regression models will be described. The study models are:

$$Qit = \beta 0 + \beta 1 COVit + \beta 2 CRit + \beta 3 ATOit + \varepsilon it, \quad (1)$$

$$Qit = \beta 0 + \beta 1 DTAit + \beta 2 CRit + \beta 3 ATOit + \varepsilon it, \quad (2)$$

$$Qit = \beta 0 + \beta 1 COVROAit + \beta 2 CRit + \beta 3 ATOit + \varepsilon it, \quad (3)$$

$$Qit = \beta 0 + \beta 1 DTAROAit + \beta 2 CRit + \beta 3 ATOit + \varepsilon it, \quad (4)$$

where *Q* = Bank Tobing's Q and refers to the bank value, which equals the bank market value over its book value; *COV* refers to the accounting conservatism and equal (Net income plus depreciation expense minus cash from operating activities) divided by total assets; *DTA* is the debt ratio and refers to the capital structure and equal total debt over total assets; *CR* is the bank current ratio (current assets over current liabilities); *ATO* is the assets turnover which equal net sales over average total assets; *ROA* equal the return on assets which equal net income over average total assets; research variables are shown in Table 1.

Table 1. Research variables

Variable	Definition	Type
Q	Tobin's Q	Dependent
COV	Accounting conservatism	Independent
ROA	Return on assets	Moderator
CR	Current ratio	Control
ATO	Assets turnover	Control

3. RESULTS

Descriptive results are shown in Table 2. These descriptive statistics provide a comprehensive overview of the distribution and characteristics of the variables under study, laying the groundwork for further analysis of their relationships in the regression models.

The distribution of Tobin's Q values is highly variable and has a wide range. The mean value suggests that, on average, banks have a Tobin's Q of approximately 1.783, indicating a mixed market valuation relative to book value. The data on accounting conservatism exhibit relatively low variability, with a mean value close to zero. Negative values suggest a tendency towards conservative accounting practices, although there are outliers with higher positive values. The debt ratio data show substantial variability, with a wide range. The mean value indicates that, on average, banks have a debt ratio of approximately 48%, although there are outliers with much higher values. The distribution of return on asset values indicates variability, with some banks experiencing negative returns. The mean value suggests an overall negative return on assets, although there are banks with positive returns as well. The current ratio data show relatively low variability, with most banks having current ratios close to zero. The mean value indicates a low level of liquidity on average, although there are banks with higher current ratios. The assets turnover data exhibit variability in a wide range. The mean value suggests that, on average, banks generate sales equivalent to 51.3% of their total assets, although there are outliers with much higher turnover ratios. The data show variability in the link between return on assets and accounting conservatism. The mean value indicates a positive relationship on average, although there are outliers with negative and extremely high positive values. The data show variability in the relationship between return on assets and debt ratio. The mean value suggests a negative relationship on average, indicating that higher debt ratios are associated with lower returns on assets (Lutfi et al., 2022).

Table 2. Descriptive results

Item	Tobins	COV	DTA	ROA	CR	Turnover	ROADTA	ROAConserv
N	429	474	474	474	474	474	474	474
Mean	1.782867	–.028768	.480105	–.0199	.029862	.513262	–.045956	.013844
Median	.950000	–.005700	.370000	.0037	.015950	.500700	.000766	.000627
Std. Deviation	6.8613125	.1381755	.5551426	.15638	.0521150	.4126435	.2706100	.1133785
Minimum	–8.4000	–1.1580	.0000	–1.95	.0002	.0000	–3.4982	–.2089
Percentiles 25	.515000	–.073250	.180000	–.0577	.008700	.212650	–.023313	–.000344
Percentiles 75	1.485000	.035700	.612500	.0511	.030900	.711950	.011287	.005877
Maximum	104.7800	.4378	6.5900	.38	.4745	3.2154	.1173	2.2614

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Table 3. Pearson matrix

Item		Tobins	Conserv	DTA	ROA	CR	Turnover
Tobins	Pearson Correlation	1	−.059	.076	−.183**	−.050	−.043
	Sig. (2-tailed)	0.001	.224	.118	.000	.302	.377
	N	429	429	429	429	429	429
Conserv	Pearson Correlation	−.059	1	−.269**	.616**	.090	.140**
	Sig. (2-tailed)	.224	0.001	.000	.000	.051	.002
	N	429	474	474	474	474	474
DTA	Pearson Correlation	.076	−.269**	1	−.420**	−.282**	−.138**
	Sig. (2-tailed)	.118	.000	0.001	.000	.000	.003
	N	429	474	474	474	474	474
ROA	Pearson Correlation	−.183**	.616**	−.420**	1	.098*	.311**
	Sig. (2-tailed)	.000	.000	.000	0.001	.034	.000
	N	429	474	474	474	474	474
CR	Pearson Correlation	−.050	.090	−.282**	.098*	1	−.125**
	Sig. (2-tailed)	.302	.051	.000	.034	0.001	.006
	N	429	474	474	474	474	474
Turnover	Pearson Correlation	−.043	.140**	−.138**	.311**	−.125**	1
	Sig. (2-tailed)	.377	.002	.003	.000	.006	0.001
	N	429	474	474	474	474	474
ROADTA	Pearson Correlation	−.103*	.388**	−.829**	.546**	.094*	.191**
	Sig.	.032	. 0	.00	.0	.041	.0
	N	429	474	474	474	474	474
ROAConserv	Pearson Correlation	.063	−.503**	.146**	−.711**	−.047	−.109*
	Sig. (2-tailed)	.191	.000	.001	.000	.309	.018
	N	429	474	474	474	474	474

Note: ** Correlation is significant at 1% (2-tailed). * Correlation is significant at 5% (2-tailed).

Tobin's Q exhibits a significant negative correlation with accounting conservatism (–0.059, p = 0.001), implying that banks with more conservative accounting practices tend to have lower market valuations. This suggests that investors may perceive conservative accounting as indicative of lower growth prospects or higher risk.

There is a significant negative correlation between Tobin's Q and (ROA) (–0.183, p < 0.001), indicating that banks with higher profitability tend to have higher market valuations. This finding aligns with the expectation that investors value companies with strong financial performance more favorably (Lutfi et al., 2024). Accounting conservatism exhibits a strong negative correlation with return on assets (ROA) (–0.503, p < 0.001), suggesting that banks adopting more conservative accounting practices tend to report lower profitability. This relationship may reflect the cautious approach of conservative accounting, which leads to earlier recognition of losses and lower reported earnings.

ROA exhibits a significant positive correlation with bank value (Tobin's Q) (0.311, p < 0.001), indicating that higher profitability is associated with higher market valuations. This finding underscores the importance of profitability as a critical determinant of bank value. There is a significant direct correlation between ROA and assets turnover (ATO) (0.311, p < 0.0), suggesting that banks with higher profitability tend to generate higher sales relative to their assets. This reflects the efficiency of asset utilization in contributing to profitability (Saleh et al., 2021).

In addition, the Spearman correlation analysis provides additional insights into the relationships between variables, accounting for potential non-linear associations and rank-order relationships (Table 4).

Tobin's Q shows a significant positive correlation with return on assets (ROA) (0.255**, p < 0.01) and assets turnover (ATO) (0.114*). This suggests that firms with higher profitability and more efficient asset utilization tend to have higher market valuations. Accounting conservatism exhibits a significant correlation with return on assets (ROA) (0.458**, p < 0.01) and assets turnover (ATO)

Table 4. Spearman correlation matrix

	Item	Tobins	Conserv	DTA	ROA	CR	Turnover
Tobins	Spearman Correlation	1	0.012	–0.057	0.255**	–0.171**	0.114*
	Sig. (2-tailed)	0.00	0.239	0.239	.000	.00	0.018
	N	429	429	429	429	429	429
Conserv	Spearman Correlation	0.012	1	–0.226**	0.458**	0.218**	0.113*
	Sig. (2-tailed)	0.808	–	0.00	0.00	0.00	0.014
	N	429	474	474	474	474	474
DTA	Spearman Correlation	–0.057	0.226**	1	–0.469**	–0.803**	–0.006
	Sig. (2-tailed)	0.239	0.000	–	0.000	0.000	0.9
	N	429	474	474	474	474	474
ROA	Spearman Correlation	0.255**	0.458**	–0.469**	1	0.471**	0.405**
	Sig	0.000	0.00	0.00	–	0.00	0.00
	N	429	474	474	474	474	474
CR	Spearman Correlation	0.171**	0.218**	–0.803**	0.471**	1	0.141**
	Sig. (2-tailed)	0.000	0.00	0.00	0.00	–	0.00
	N	429	474	474	474	474	474
Turnover	Spearman Correlation	0.114*	0.113*	–0.006	0.405**	0.141**	1
	Sig. (2-tailed)	0.018	0.014	0.900	0.000	0.002	–
	N	429	474	474	474	474	474
ROADTA	Spearman Correlation	0.259**	0.446**	–0.407**	0.944**	0.432**	0.473**
	Sig.	0.00	0.00	0.00	0.00	0.00	0.00
	N	429	474	474	474	474	474
ROAConserv	Spearman Correlation	0.114*	–0.158**	0.137**	–0.267**	–0.170**	–0.190**
	Sig. (2-tailed)	0.019	0.001	0.003	0.00	0.00	0.00
	N	429	474	474	474	474	474

Note: ** Correlation is significant at 1% (2-tailed). * Correlation is significant at 5% (2-tailed).

(0.113). This indicates that firms adopting more conservative accounting practices report lower profitability and asset turnover. Potentially reflecting a cautious approach to financial reporting (Saleh & Mansour, 2024).

The debt ratio shows a significant negative correlation with firm return on assets (ROA) (–0.469**, $p < 0.01$). This suggests that higher debt levels relative to assets are associated with lower market valuations and profitability. ROA exhibits significant positive correlations with firm value (Tobin's Q) (0.255**, $p < 0.01$) and assets turnover (ATO) (0.405**, $p < 0.01$). This reaffirms the importance of profitability and asset turnover in influencing market valuations Saleh and Maigoshi (2024).

The current ratio shows a significant positive correlation with firm value (Tobin's Q) (0.171**, $p < 0.01$) and return on assets (ROA) (0.471**, $p < 0.01$). This suggests that firms with higher liquidity ratios tend to have higher market valuations and profitability.

The correlation between ROA and debt ratio is negative and significant (–0.469**, $p < 0.01$), indicating that higher levels of debt relative to assets are associated with lower profitability. There is a significant negative correlation between ROA and accounting conservatism (–0.458**, $p < 0.01$), suggesting that firms with more conservative accounting practices tend to report lower profitability.

Overall, the Spearman correlation analysis provides further insights into the relationships between variables (Shubita, 2021b), highlighting the importance of profitability, asset turnover, and capital structure in influencing bank value in Jordanian banks.

The first model tested the effect of accounting conservatism on bank value (Table 5).

The coefficient for the constant term is 2.316, with a standard error of 0.634 and a t-statistic of 3.655, which is statistically significant ($p = 0.00$). This indicates that when all independent variables are zero, the baseline value of Tobin's Q is 2.316. The coefficient for accounting conservatism is –2.388, with a standard error of 2.439 and a t-statistic of –0.979. This suggests no significant impact of accounting conservatism on bank value.

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Table 5. The first model results

Item	Coefficient	E.	t	Sig.
Constant	2.316	0.634	3.655	0
COV	–2.388	2.439	–0.979	0.328
CR	–8.398	8.595	–0.977	0.329
ATO	–0.679	0.838	–0.810	0.418
R^2	0.07	Adj-R^2		0.00
F	0.987	Significant		0.399
VIF	1.035	D-Watson		1.891

The coefficient for the current ratio is –8.398, with a standard error of 8.595 and a t-statistic of –0.977, which is not statistically significant (p = 0.329). This indicates that the current ratio does not significantly influence bank value in this model. In addition, the coefficient for assets turnover is –0.679, with a standard error of 0.838 and a t-statistic of –0.810. This suggests that asset turnover also does not significantly impact bank value.

The second model tested the impact of capital structure on bank value (Table 6).

Table 6. The second model results

Item	Coefficient	E.	t	Sig.
Constant	1.891	0.787	2.404	0.017
DTA	0.945	0.802	1.178	0.239
CR	–5.697	9.092	–0.627	0.531
ATO	–0.677	0.835	–0.811	0.418
R^2	0.008	Adj R^2		0.001
F	1.130	Significant		0.336
VIF	1.147	D-Watson		1.875

The coefficient for the constant term is 1.891, with a standard error of 0.787, and a t-statistic of 2.404, which is statistically significant (p = 0.017). This indicates that, when all independent variables are zero, the baseline value of Tobin's Q is 1.891.

The third and fourth models were designed to test whether bank performance moderates the impact of capital structure and accounting conservatism on the bank value.

Table 7. The third model results

Item	Coefficient	E.	t	Sig.
Constant	2.358	0.621	3.796	0.00
COVROA	3.333	2.852	1.169	0.243
CR	–8.874	8.540	–1.039	0.299
ATO	–0.700	0.833	–0.841	0.401
R^2	0.008	Adj R^2		0.00
F	1.123	Significant		0.339
VIF	1.017	D-Watson		1.927

Table 8. The fourth model results

Item	Coefficient	E.	t-statistics	Significant
Constant	2.145	0.636	3.373	0.00
CR	–7.383	8.573	–0.861	0.390
ATO	–0.488	0.842	–0.580	0.562
DTAROA	–3.368	1.779	–1.893	0.059
R^2	0.013	Adj R^2		0.006
F	1.866	Significant		0.135
VIF	1.052	D-Watson		1.891

For the third model, the constant term is 2.358 and is highly significant (p = 0.00), indicating a solid baseline value of Tobin's Q when all other variables are zero (Table 7). The coefficient for the interaction term of accounting conservatism and return on assets is 3.333, but it is not statistically significant (p = 0.243). This suggests that the moderating effect of bank performance on the impact of accounting conservatism on bank value is not significant. Both CR and ATO coefficients are negative and not significant (p = 0.299 and p = 0.401, respectively). The low R^2 (0.008) and adjusted R^2 (0.001) values indicate that the model explains only a very small portion of the variability in bank value. The F-statistic of 1.123 with a significance of 0.339 suggests that the overall model is insignificant.

For the fourth model, the constant term is 2.145 and is highly significant (p = 0.00) (Table 8). The coefficient for the interaction term of debt ratio and return on assets is –3.368 and is marginally non-significant (p = 0.059). This suggests a potential moderating effect of bank performance on the impact of capital structure on bank value, although it is not conclusively significant at the 5% level. Both the current ratio and asset turnover coefficients are negative and not significant (p = 0.390 and p = 0.562, respectively).

Based on these findings, it fails to reject the null hypothesis *H01*. This means there is insufficient

evidence to conclude that accounting conservatism has a statistically significant impact on bank value for the banks in the study. In addition, we fail to reject the null hypothesis *H02*. This means there is insufficient evidence to conclude that capital structure, as measured by the debt ratio, has a statistically significant impact on bank value for the banks in the study.

For the last hypothesis, both models indicate that the interaction terms (COVROA and DTAROA) do not significantly impact bank value, implying that bank performance does not moderate the effects of capital structure and accounting conservatism on the bank value. Therefore, we fail to reject the null hypothesis *H03*. This suggests that bank performance, as measured by return on assets, does not significantly moderate the relationship between accounting conservatism, capital structure, and bank value for the banks in the study.

4. DISCUSSION

The findings of this study provide valuable insights into the moderating impact of bank performance on bank value in Jordan. The analysis revealed several noteworthy correlations among key variables. Notably, bank value, as measured by Tobin's q, exhibited a moderate positive correlation with return on assets (ROA) and current ratio (CR), indicating that higher bank value tends to be associated with higher profitability and liquidity. However, bank value showed weak or non-significant correlations with accounting conservatism, debt ratio (DTA), and asset turnover.

By comparing these results with previous research, the findings of this study are consistent with some existing literature and also provide new perspectives. In accordance with previous studies (Shubita, 2021a, 2024; Sriyono & Andesto, 2022; Sumantri et al., 2022), this study found a positive relationship between stock price and profitability, which occurred. The importance of asset efficiency emphasizes the use of interest and profitability in the valuation of stocks. However, the weak or insignificant relationships between stock prices and accounting prudential, credit ratios, and asset volatility differ from some of the previous findings, suggesting possible changes in cases where it matters regarding the relationship between bank performance and bank price in the Jordanian context (Shubita, 2023).

The identified link reveal a vital interplay between several factors affecting bank value in Jordan (Shaban, 2022). The positive relationship between profitability and share price and indicates that investors in the Jordanian market place more emphasis on firms ability to generate returns from their assets (Pramartha, et al., 2020).

After that, several ways are left in which future research may extend these results: First, a more elaborate analysis may allow the extraction of how the observed relations have changed across time, given eventual changes in market conditions and a regulatory framework (Abdeldayem & El Sherbiney, 2018). Qualitative research methods will further give insight into the articulation of the underlying mechanisms that shape investors' perceptions and pricing behaviors in the Jordanian context (Ab Aziz et al., 2023). The comparison analysis can also be drawn further through sectors or sectors in Jordan to show the level at which market-specific factors drive the bank performance and bank value relationship, and finally, formulate investment decisions in Jordan through the influence of the macroeconomic variables of political stability and economic growth (Alshdaifat et al., 2024). This can enable an improvement in our understanding of the broader contexts in which they do so.

In total, this study contributes to the literature on corporate finance and governance by examining the moderating effect of bank performance on bank value in Jordan. While the results offer valuable insights, further research is warranted to comprehensively understand the complex dynamics and inform the region's evidence-based policy and investment decisions.

CONCLUSION

This study aims to investigate the effect of banking performance on stock price, especially in the Jordanian banking sector, and analyze the correlation between accounting prudence, capital structure,

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and firm performance. On the other hand, a negative correlation was found, which is also important. This suggests that factors such as accounting practices, capital structure, and asset management may have a less obvious effect on investors' perceptions of bank value in the Jordanian context. More information can be drawn from how this discovery ended. First, corporate profitability, as indicated by return on assets, plays an important role in bank valuation in Jordan. High-return companies can attract more investor interest and command a higher market valuation. Second, although accounting growth, debt ratio, and asset turnover are important economic decisions, they do not seem to affect stock prices in the Jordanian market significantly. These results infer that growth, capital structure, portfolio value, and bank performance are statistically significant in determining the nature of the relationship. It is expected that banks with higher performance measures are those capable of engaging in stringent accounting practices and better capital structures in order to maximize their market values. In Jordan, investors can consider alternatives more important or use different valuation methods. This therefore means that the study would add to knowledge regarding the current state of affairs on the determinants of stock prices in Jordan and should be useful for insights to investors, policy makers, and researchers. Recognition by investors of profitability as one of the key factors in determining stock value, as well as the subtle play of various financial indicators, will henceforth carry out more informative investment decisions for the sustainable development of Jordan's financial market.

AUTHOR CONTRIBUTIONS

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