Determinants of Bank Rapid Credit Growth in Jordan

Abstract
This paper empirically examines the determinants of bank rapid credit growth in Jordan. The study uses multivariate panel regressions model, in which the Generalized Least Square (GLS), the Fixed Effect Model (FEM), and the Random Effect Model (REM) on a panel data of 11 banks over the period of 2000–2011. The empirical findings of the study show that the capital, deposits, loan to deposit ratio and net interest income have positive effect on credit growth, while the concentration ratio has negative significant influence on the rapid credit growth supplied by Jordanian banks. The results also show that the loan-loss provisions, size, and number of foreign banks operating in Jordan have no effect on bank rapid credit growth. Moreover, the results show that the sustainability of the credit growth in Jordan may be questionable as there are signs of rising probability of banking sector crisis in Jordan.