

## **Macroeconomic and Bank-Specific Determinants of Non-Performing Loans for Jordanian Banks: The Effect of COVID-19**

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### **Abstract**

Non-performing loans ratio, as a proxy of banks' credit risk, and its impact on the performance and financial stability of banks as well as its bad effect on the whole economy is a major concern for many researchers. Therefore, this study aims at exploring the factors affecting the non-performing loans ratio in the context of Jordan by using balanced panel data OLS regression analysis taking into consideration the effect of COVID-19 crisis. The results reports that the ratio of non-performing loans to total loans is negatively affected by the return on assets, the Gross Domestic Product (GDP), and the stock market index. On the other hand, the previous ratio of non-performing loans to total loans and the COVID-19 crisis have a significant positive effect on the ratio of non-performing loans to total loans. Banks managers', policy makers, regulatory bodies can based on the findings in developing polices to overcome the negative effect of some factors and adopting polices to enhance the positive effect of other ones.

Keywords: Non-performing loans, GDP, Stock Market Index, Profitability, COVID-19

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