

Factors Affecting Profitability of Syrian Private Banks

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Abstract

This study examined the determinants of Syrian Private Banks profitability. The data used in this study was obtained from the financial statements of the sample of the study and economic reports from the Central Bureau of Statistic, the study period was from 2011 to 2015 by using correlation analysis and simple linear regression model. The measure of profitability (dependent variable) analyzed in this study is comprised of Return on Asset (ROA). Bank-specific factors, which were incorporated into the regression model were Capital Adequacy, Bank Size, Deposits, Investments, Investments Income, and Fees and Commissions Income. In addition, macroeconomic factors that used in the regression models were Inflation and Gross Domestic Product. According to statistical analysis, the results indicated that there are no effect of asset size, capital adequacy, deposits, investments and inflation on profitability at Syrian Private Banks; Investments Income (INI) has a significant negative effect on the profitability at Bank Audi Syria (BASY) and Byblos Bank Syria (BBS); Fees and Commissions Income (FCI) has a significant negative effect on the profitability at Bank Audi Syria (BASY); Gross Domestic Product (GDP) has a significant negative effect on profitability at Arab Bank-Syria (ARBS).

Keywords: Return on Asset (ROA), Capital Adequacy, Bank Size, Deposits, Investments, Investments Income, Fees and Commissions Income, Inflation and Gross Domestic Product.

JEL Classification: E31, G21

1. Introduction

Banking sector of Syria started growing rapidly in the last decade and experienced major transformations in its environment which ultimately resulted substantially on its performance. Many banks in different countries showed bankruptcy whereas a lot of mergers and acquisitions took place worldwide (*Abdul Qudous, 2012, P2*). Identifying the key winning factors of commercial banks allow us to formulate such strategies which may improve the profitability of banks.

From this regard, it is vital to study what are the determinants whether internal or external factors are responsible for the profitability levels of private banks of Syria. Return on Asset (ROA) is chosen to estimate the private bank profit, and other eight variables that represent internal and external factors which are base Asset Size, Capital Adequacy, Investments, Deposits, Investments Income, Fees and Commissions Income, Gross Domestic Product, and Inflation.

2. Previous Research

In order to go on a right way on how to measure the factors affecting the profitability of banks, the researcher stand on what method the previous researchers conducted and what were the factors taken in their research, the impact of the crisis on the profitability of banks, the volume of deposits, asset size, investments, Investments income (interest in traditional banks and profit in Islamic banks), fees and commissions income, and bank capital were the main internal determinants on the profitability of banks. However, inflation, gross domestic product, exchange rates, money supply, return on market and interest rates were the main external determinants on the profitability of banks

Jiang, et al. (2003) examined the profitability of the banking sector in Hong Kong, where the period of the study was from 1992 to 2002. This study analyzed the evolution of profitability in the banking sector in Hong Kong, it discusses the recent developments in the sector's operating environment and how banks have responded to these changes, it considers how some of these changes have affected profitability and presents an empirical study of the determinants, examines the contribution of bank-specific and macroeconomic factors to variations in profitability across banks and over time. Prospects for bank profitability over the medium-term are discussed remarks. The study found out that the profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Important changes in the operating environment, particularly after the Asian financial crisis, are likely to affect bank profitability. The researchers found that both banks-specific as well as macroeconomic factors are important determinants in the profitability of banks. With regard to macroeconomic factors, real GDP growth, inflation and real interest rates have a positive impact. Among bank-specific variables, operational efficiency and business diversification contribute to higher returns on assets, after controlling for differences in the credit quality of loans. The tax rate variable has a positive effect on the ROA, suggesting that banks successfully manage to pass through increases in corporate income tax to their customers to maintain the level of post-tax ROA. The deterioration in profitability in the study period years is mainly attributable to the adverse macroeconomic environment in Hong Kong. However, bank profitability should in general improve as the economy recovers.

Simon, et al. (2011) studied an Empirical Analysis of Commercial Banks' Profitability Determinants in Malaysia after the 2008 Financial Crisis. Eight commercial banks have been chosen to represent the commercial banks in Malaysia during the time line from 2004 till 2010. ROA was chosen as a dependent variable to estimate the commercial bank's profit, and 10 independent variables which are base lending rate, gross domestic product, inflation rate, capital adequacy ratio, total income, expenses management, interest coverage, total loans, total deposits, and bank size. After running these data on the data analysis software, it found that only base lending rate, interest coverage, and capital adequacy ratio are significant variables and positive determinants at 95% confidence level while the other variables (bank size, total income, total deposit, total loan, gross domestic product and inflation) are insignificant in determining the profitability determinants of commercial banks in Malaysia after the financial crisis in 2008. The regression analysis conducted with the dummy variable of financial crisis also shows that the financial crisis in 2008 does not have much effect on the commercial banks in Malaysia based on the sample of banks analyzed. Nevertheless, this study has provided useful insights into determinants of bank's profit for bankers, bank regulators, investors and the general public.

Rao & Lakew (2012) studied the Determinants of Profitability of Commercial Banks in Ethiopia using unbalanced panel data set of banks over the period 1999/00- 2008/09. To this end, internal and external factors to the banks are regressed against the ROA of the commercial banks. The internal factors considered are related to the bank's capital structure, liquidity, credit risk, loan portfolio, asset quality, and expense management aspects, whereas the external factors are related to the industry and the macroeconomic scenarios within which the banks operate. In this analysis the fixed effects model is used to control the unobservable bank specific characteristics. The fixed effects model is preferred to the random effect model following the Hausman test, chi-square = 27.6, and P-value = 0.005. The result of the study indicated that the most determinants of bank profitability in Ethiopia are the internal factors, factors over which a bank's management has control. Though the

external factors are found to be statistically insignificant, their signs have important policy implications, and thus require the attention of policy makers and bank regulators.

Acaravci & Çalim (2013) studied Turkish Banking Sector's Profitability Factors. The objective of this study was to determine by using Johansen and Juselius co-integration test approach of the bank specific and macroeconomic factors that affect the profitability of commercial banks in Turkish banking sector. In study, the data are collected from the three biggest state- owned, privately-owned and foreign banks. The sample period spans from 1998 to 2011. In the study, return of asset (ROA), return of equity (ROE) and net interest margin were used as proxy for profitability of banks. The bank specific determinants, which were thought to have effects on profitability are total Credits/ total assets, total deposits / total assets, total liquid assets/ total assets, total wage and commission incomes / total assets, total wage and commission expenses/ total assets, the logarithm of total assets and total equity/ total assets. The macroeconomic determinants of study are real gross domestic product, inflation rate, real exchange rate and real interest rate, empirical findings suggest that the bank specific determinants have more effect than macroeconomic factors on profitability of the banks. The real gross domestic product and real exchange rate have been effective on the profitability. In addition, the 2001 economic crisis has a negative effect on all Turkish Banking sector.

Govori (2013) studied the Performance of Commercial Banks and the Determinants of Profitability in Kosovo. The researcher provides some of the performance indicators. The rates of return of commercial banks are greatly and directly affected by the net interest margin, provisions for loan losses, revenues and expenses by the non-interest, taxes and the equity multiplier. In this context, liquid assets do not appear to be a high impact in determining and variability on the rate of return, high liquidity with low returns. Also, this study addresses the impact of the global financial crisis "2008-2012" in the commercial banks performance in Kosovo, mainly through the impact of the decline in the asset use ratio. There was a positive approach that banks have followed the course of returns fall by the reduction in interest-expenditures, while the costs of provisions for loan losses to total average assets marked constant level throughout the period, despite the increasing ratio of non-performing loans.

3. Hypotheses

As profitability of banks should mirror the quality of bank's management and performance, the researcher considered the hypotheses of this study as to the following:

H1: There is significant effect of Asset Size on profitability at Syrian Private Banks.

H2: There is significant effect of Capital Adequacy on profitability at Syrian Private Banks.

H3: There is significant effect of Deposits on profitability at Syrian Private Banks.

H4: There is significant effect of Investments on profitability at Syrian Private Banks.

H5: There is significant effect of Investments Income on profitability at Syrian Private Banks.

H6: There is significant effect of Fees and Commissions on profitability at Syrian Private Banks.

H7: There is significant effect of Gross Domestic Product on profitability at Syrian Private Banks.

H8: There is significant effect of Inflation on profitability at Syrian Private Banks.

4. Research Method

Here-under we indicate the source of our data gathered, and have a look at the population of this research and the sample chosen, then test the Hypotheses according to applicable statistical analysis.

4.1 Source of Data

The study uses secondary data which is collected from financial and economic reports to investigate data related to the hypotheses of the study and to measure the profitability and performance of Syrian Private Banks. The financial reports were obtained from banks of the sample of the study, and the economic reports were obtained from the Central Bureau of Statistic.

The independent variables in this study consist of internal and external factors, where the internal factors are Asset Size, Capital Adequacy, Deposits, Investments, Investments Income, and Fees and Commissions Income, while the external factors are Inflation and Gross Domestic Product, and the dependent variable is Return on Assets.

We study the external factors which are Inflation and Gross Domestic Product only, because the data of the Interest Rate and Exchange Rate are not available at the Central Bureau of Statistic for the period of the study.

4.2 Sample

The population of this study is Syrian Private Banks. This study employed a pooled time –series. Data is collected from the financial reports for the years 2011 to 2015. There are eleven traditional private banks and three Islamic banks in Syria. Table (1) shows the population of this study:

Table 1: The Population of the Study

Types	Bank's Name	Bank's Abbreviation	Start Date
Traditional Private Banks	Arab Bank-Syria	ARBS	02-01-2006
	Bank Audi Syria	BASY	28-09-2005
	Byblos Bank Syria	BBS	05-12-2005
	Bank Bemo Saudi Fransi	BBSF	04-01-2004
	Bank of Jordan-Syria	BOJS	28-11-2008
	Bank of Syria & Overseas	BSO	06-01-2004
	Fransabank Syria	FSBS	15-01-2009
	The International Bank for Trade and Finance	IBTF	06-06-2004
	Qatar National Bank Syria	QNBS	15-11-2009
	Syria Gulf Bank	SGB	13-06-2007
	Bank Al-Sharq	SHRQ	03-05-2009
Islamic Banks	Albaraka Bank Syria	BBSY	01-06-2010
	Cham Bank	CHB	23-05-2007
	Syria International Islamic Bank	SIIB	15-09-2007

Source: By the researcher

The sample of this study is selected randomly from the Syrian Private Banks that are categorized to traditional private banks and Islamic banks according to Table (1), using the simple random sample, where we sort these banks according to their alphabetical abbreviations order according to Damascus Securities Exchange (DSE), then we choose the first three traditional banks which are: Arab Bank-Syria (ARBS), Bank Audi Syria (BASY), and Byblos Bank Syria (BBS), and we choose the second Islamic bank which is: Cham Bank (CHB) because Albaraka Bank Syria (BBSY) is recently started its run according the period of the study.

The researcher considered three traditional private banks and one Islamic bank to represent roughly 30% of the population of the study.

4.3 Hypotheses Testing

Linear Regression test is applied by using the regression equation that refers to the regression of dependent value on independent values, to generate a predictive ability of the internal and external determinants of profitability and test the significant effect of independent variables on profitability of

banks and test if the independent variables explain the change of profitability of the study's banks. The regression model is:

$$Y_t = \alpha + \beta X + e$$

Where,

Y_t = ROA (dependent variable)

α = Y-intercept

β = slope of the line

X = independent variable

t= 2011 – 2015 (the period of the study)

e = Error Term

Table (2) shows the measures and notations of all variables used in analyzing the profitability:

Table 2: Measures and Notations of the Study's Variables

Dependent Variable		Profitability	Net Income /Total Assets	ROA
Independent Variables	Bank- Specific Independent Variables (Internal)	Asset Size Capital Adequacy Deposits Investments Investments Income Fees and Commissions Income	Natural Logarithm of Total Assets Equity / Assets Deposits / Assets Investments / Assets Investments Income / Assets Fees and Commissions Income/ Assets	Log A CAP DEP INV INI FCI
	Macroeconomic Independent Variables (External)	Gross Domestic Product Inflation	Annual Real Gross Domestic Product Annual Inflation Rate	GDP INF

Source: By the researcher

Table (3) describes main financial data results for Syrian Private Banks during the period (2011-2015).

Table 3: Financial Data of Sample's Banks in Millions of Syrian Pounds

ARBS					
Data	Years				
	2011	2012	2013	2014	2015
Net Income	183.4	401.6	460.4	-44.3	1114.4
Total Assets	34286.5	41177.9	37320.3	37387.2	43121.5
Deposits	25796.5	35302.8	27409.1	28776.7	34011.1
Investments	17121.8	23122.6	22429.7	17372.1	15265.6
Equity	3331	3634.5	5942.9	5898.6	7013
Investments Income	1555	2012.7	2290.9	2206.6	1923.5
Fees and Commissions Income	237.1	260.6	278.9	120.8	186.2
BASY					
Data	Years				
	2011	2012	2013	2014	2015
Net Income	624.5	681.6	114.3	5.5	316.5
Total Assets	75547.0	93789.0	63431.7	49674.9	54405.7
Deposits	64637.7	81812.7	49971.1	38673.5	42178.7
Investments	26100.1	39443.8	29140.6	20753.4	18571.9
Equity	6129.6	6863.6	6967.5	7040.2	7284.3
Investments Income	2706.1	3310.5	3567.8	3115.6	2622.6
Fees and Commissions Income	466.1	589.1	539.7	453.8	434.1

BBS					
Data	Years				
	2011	2012	2013	2014	2015
Net Income	176.8	231.1	169.2	-157.3	452.6
Total Assets	32699.7	42576.7	46454	43528.6	46771.5
Deposits	26857.9	33611.6	35636.3	25785.1	29170.1
Investments	16285.0	22389.6	23828.1	17049.5	11807
Equity	2301.6	4388.5	6559.2	6460.4	6935.2
Investments Income	1541.3	1784.8	2327.2	2704.5	1922.9
Fees and Commissions Income	186.2	218.5	238.4	252.5	288.7
CHB					
Data	Years				
	2011	2012	2013	2014	2015
Net Income	-368	107.8	2238	3467.2	2360.1
Total Assets	11073.5	16735.7	13047.4	26109.1	56935.1
Deposits	2625.9	3117.9	1819.1	2647	5748.2
Investments	2072.3	2096.6	1711.2	12482.7	44719.4
Equity	1823.2	4433.2	4844.9	5200.4	7560.5
Investments Income	283.3	621.7	885.8	688.2	391.6
Fees and Commissions Income	14.6	33.6	50.9	165.2	654.8

Source: By the researcher

Values of profitability measured by ROA is shown in Table(4):

Table 4: Ratio of Return on Asset (ROA)

Banks	Years				
	2011	2012	2013	2014	2015
ARBS	0.53%	0.98%	1.23%	-0.12%	2.58%
BASY	0.83%	0.73%	0.18%	0.01%	0.58%
BBS	0.54%	0.54%	0.36%	-0.36%	0.97%
CHB	-3.32%	0.64%	17.15%	13.28%	4.15%

Source: By the researcher

The values of internal and external factors are shown in Table (5):

Table 5: Values of Internal and External Factors of Sample's Banks

ARBS	Log A	CAP	DEP	INV	INI	FCI	INF	GDP
2011	4.54	9.72%	75.24%	49.94%	4.54%	0.69%	2.8%	5.90%
2012	4.61	8.83%	85.73%	56.15%	4.89%	0.63%	4.4%	3.40%
2013	4.57	15.92%	73.44%	60.10%	6.14%	0.75%	4.8%	-2.00%
2014	4.57	15.78%	76.97%	46.47%	5.90%	0.32%	37%	1.50%
2015	4.63	16.26%	78.87%	35.40%	4.46%	0.43%	91%	-19.50%
BASY	Log A	CAP	DEP	INV	INI	FCI	INF	GDP
2011	4.88	8.11%	85.56%	34.55%	3.58%	0.62%	2.8%	5.90%
2012	4.97	7.32%	87.23%	42.06%	3.53%	0.63%	4.4%	3.40%
2013	4.80	10.98%	78.78%	45.94%	5.62%	0.85%	4.8%	-2.00%
2014	4.70	14.17%	77.85%	41.78%	6.27%	0.91%	37%	1.50%
2015	4.74	13.39%	77.53%	34.14%	4.82%	0.80%	91%	-19.50%
BBS	Log A	CAP	DEP	INV	INI	FCI	INF	GDP
2011	4.51	7.04%	82.14%	49.80%	4.71%	0.57%	2.8%	5.90%
2012	4.63	10.31%	78.94%	52.59%	4.19%	0.51%	4.4%	3.40%
2013	4.67	14.12%	76.71%	51.29%	5.01%	0.51%	4.8%	-2.00%
2014	4.64	14.84%	59.24%	39.17%	6.21%	0.58%	37%	1.50%
2015	4.67	14.83%	62.37%	25.24%	4.11%	0.62%	91%	-19.50%
CHB	Log A	CAP	DEP	INV	INI	FCI	INF	GDP
2011	4.04	16.46%	23.71%	18.71%	2.56%	0.13%	2.8%	5.90%
2012	4.22	26.49%	18.63%	12.53%	3.71%	0.20%	4.4%	3.40%

2013	4.12	37.13%	13.94%	13.12%	6.79%	0.39%	4.8%	-2.00%
2014	4.42	19.92%	10.14%	47.81%	2.64%	0.63%	37%	1.50%
2015	4.76	13.28%	10.10%	78.54%	0.69%	1.15%	91%	-19.50%

Source: By the researcher

We apply the linear regression analysis of the dependent variable (ROA) on each of the independent variables for each bank of the study.

Table (6) shows the correlation analysis (correlation coefficient and coefficient of determination) at ARBS, where we take the significant level at 5% for the independent variables:

Table 6: Results of Correlation Analysis between Independent Variables and Profitability Regarding ARBS

Factors	Independent Variables	r	R ²	Sig.
1	Log A	.734	.539	.158
2	CAP	.289	.083	.638
3	DEP	.137	.019	.826
4	INV	-.439	.193	.459
5	INI	-.452	.204	.445
6	FCI	.060	.004	.924
7	INF	.633	.401	.252
8	GDP	-.871	.759	.054

Source: By the researcher

The results of the correlation analysis clarify that the Log A, CAP, DEP, INV, INI, FCI and INF have a weak effect with the profitability. However, the GDP has a significant effect at 5% on the profitability.

We choose the significant variable in order to perform regression analysis. Table (7) indicates the value of estimated simple linear regression of the dependent variable (ROA) on the independent variable (GDP) at ARBS:

Table 7: Results of Regression Analysis of ARBS

Factor	Coefficients		Sig.
	β		
1	(Constant)	.009	.046
	GDP	-.086	.054

Source: By the researcher

The value clarifies that the GDP has a negative effect, where β value is

-0.086 with constant α value 0.009 and significant level of 0.054. The value of (r) and (R²) of GDP are -0.871 and 0.759 respectively. The R² measures the percentage variation of dependent variable (ROA) that is explained by the variation of independent variable (GDP), where the value of R² is 75.9 percent explains the change of the dependent variable (ROA) by GDP.

Table (8) shows the correlations analysis (correlation coefficient and coefficient of determination) at BASY, where we take the significant level at 5% for the independent variables:

Table 8: Results of Correlation Analysis between Independent Variables and Profitability Regarding BASY

Factors	Independent Variables	r	R ²	Sig.
1	Log A	.730	.533	.162
2	CAP	-.734	.539	.158
3	DEP	.757	.573	.138
4	INV	-.631	.398	.254
5	INI	-.972	.945	.006
6	FCI	-.939	.882	.018

Factors	Independent Variables	r	R ²	Sig.
7	INF	-.105	.011	.866
8	GDP	.049	.002	.937

Source: By the researcher

The results of correlation analysis clarify that the Log A, CAP, DEP, INV, INF and GDP have a weak effect with the profitability. However, the INI and FCI have a significant effect at 5% on the profitability.

We choose the significant variables in order to perform regression analysis. However, when we applied the multiple regression, the results showed that the independent variables have no significant effect on the profitability. So we are applying the simple linear regression. Table (9) indicates the value of estimated simple linear regression of the dependent variable (ROA) on the independent variables (INI) and (FCI) at BASY:

Table 9: Results of Regression Analysis of BASY

Factors		Coefficients	Sig.
		β	
1	(Constant)	.018	.003
	INI	-.284	.006
2	(Constant)	.024	.010
	FCI	-2.546	.018

Source: By the researcher

The β value clarifies that the INI has a negative effect, where β value is -0.284 with constant α value 0.018 and significant level of 0.006. The value of (r) and (R²) of INI are -0.972 and 0.945 respectively. The R² measures the percentage variation of dependent variable (ROA) that is explained by the variation of independent variable (INI), where the value of R² is 94.5 percent explains the change of the dependent variable (ROA) by INI.

Although the β value clarifies that the FCI has a negative effect, where β value is -2.546 with constant α value 0.024 and significant level of 0.018. The value of (r) and (R²) of FCI are -0.939 and 0.882 respectively. The R² measures the percentage variation of dependent variable (ROA) that is explained by the variation of independent variable (FCI), where the value of R² is 88.2 percent explains the change of the dependent variable (ROA) by FCI.

Table (10) shows the correlation analysis (correlation coefficient and coefficient of determination) at BBS, where we take the significant level at 5% for the independent variables:

Table 10: Results of Correlation Analysis between Independent Variables and Profitability Regarding BBS

Factors	Independent Variables	R	R ²	Sig.
1	Log A	-.023	.001	.971
2	CAP	-.234	.055	.704
3	DEP	.319	.102	.601
4	INV	-.235	.055	.703
5	INI	-.955	.913	.011
6	FCI	.168	.028	.788
7	INF	.314	.098	.607
8	GDP	-.548	.300	.339

Source: By the researcher

The results of correlation analysis clarify that the Log A, CAP, DEP, INV, FCI, INF and GDP have a weak effect with the profitability. However, the INI has a significant effect at 5% on the profitability.

We choose the significant variable in order to perform regression analysis. Table (11) indicates the value of estimated simple linear regression of the dependent variable (ROA) on the independent variable (INI) at BBS:

Table 11: Results of Regression Analysis of BBS

Factor		Coefficients		Sig.
		B		
1	(Constant)	.031		.008
	INI	-.547		.011

Source: By the researcher

The β value clarifies that the INI has a strong negative effect, where β value is -0.547 with constant α value 0.031 and significant level of 0.011. The value of (r) and (R^2) of INI are -0.955 and 0.913 respectively. The R^2 measures the percentage variation of dependent variable (ROA) that is explained by the variation of independent variable (INI), where the value of R^2 is 91.3 percent explains the change of the dependent variable (ROA) by INI.

Table (12) shows the correlation analysis (correlation coefficient and coefficient of determination) at CHB, where we take the significant level at 5% for the independent variables:

Table 12: Results of Correlation Analysis between Independent Variables and Profitability Regarding CHB

Factors	Independent Variables	r	R^2	Sig.
1	Log A	.085	.007	.892
2	CAP	.603	.363	.282
3	DEP	-.691	.478	.196
4	INV	.043	.002	.946
5	INI	.565	.320	.320
6	FCI	.252	.064	.682
7	INF	.039	.002	.950
8	GDP	-.127	.016	.838

Source: By the researcher

The results of correlation analysis clarify that all independent variables have a weak effect with the profitability.

The Results of Hypotheses Testing

According to our analyzing the hypotheses, we get the results of each hypothesis whether it is accepted or rejected by showing the reason.

- **H₁: There is significant effect of Asset Size on profitability at Syrian Private Banks.**
This hypothesis is rejected because the asset size has a weak effect with profitability at Syrian Private Banks.
- **H₂: There is significant effect of Capital Adequacy on profitability at Syrian Private Banks.**
This hypothesis is rejected because the capital adequacy has a weak effect with profitability at Syrian Private Banks.
- **H₃: There is significant effect of Deposits on profitability at Syrian Private Banks.**
This hypothesis is rejected because the deposits has a weak effect with profitability at Syrian Private Banks.
- **H₄: There is significant effect of Investments on profitability at Syrian Private Banks.**

This hypothesis is rejected because the investments has a weak effect with profitability at Syrian Private Banks.

- **H₅: There is significant effect of Investments Income on profitability at Syrian Private Banks.**

This hypothesis is accepted because the investments income has a significant effect with profitability at Bank Audi Syria and Byblos Bank Syria.

Investments income has a significant negative effect with the profitability at Bank Audi Syria and Byblos Bank Syria with a significant 0.006 and 0.011 respectively, it explains 94.5 percent the change of profitability at Bank Audi Syria and 91.3 percent at Byblos Bank Syria. The reason of effect is explained by the decrease in the level of investments during the period of the study

- **H₆: There is significant effect of Fees and Commissions on profitability at Syrian Private Banks.**

This hypothesis is accepted because the fees and commissions income has a significant effect with profitability at Bank Audi Syria.

Fees and commissions income has a significant negative effect with the profitability at Bank Audi Syria with a significant 0.018, it explains 88.2 percent the change of profitability at this bank. The reason of effect is explained by the decrease in net income during the period of the study

- **H₇: There is significant effect of Gross Domestic Product on profitability at Syrian Private Banks.**

This hypothesis is accepted because the gross domestic product has a significant effect with profitability at Arab Bank-Syria.

Gross domestic product has a significant negative effect with profitability at Arab Bank-Syria with a significant 0.054, it explains 75.9 percent the change of profitability at this bank. The reason of effect is explained by instability of GDP during the period of the study.

- **H₈: There is significant effect of Inflation on profitability at Syrian Private Banks.**

This hypothesis is rejected because the inflation has a weak effect with profitability at Syrian Private Banks.

6. Summary and Concluding Remarks

In the last section we did the analysis of data, now we deal with results and recommendations. this section is divided into two subsections. The first section presents the results whereas the second section presents the recommendations.

6.1 Results

According to this study, the researcher got these followed results:

1. There are no effect of asset size, capital adequacy, deposits, investments and inflation on profitability at Syrian Private Banks.
2. Investments Income (INI) has a significant negative effect on the profitability at Bank Audi Syria (BASY) and Byblos Bank Syria (BBS).
3. Fees and Commissions Income (FCI) has a significant negative effect on the profitability at Bank Audi Syria (BASY).
4. Gross Domestic Product (GDP) has a significant negative effect on profitability at Arab Bank-Syria (ARBS).

6.2 Recommendations

After analyzing the data of the study and getting its empirical results, the researcher strongly recommends:

1. Management of Syrian Private Banks to increase the level of investments, which in turn increases the level of investments income to get a positive effect on the profitability.
2. Management of Syrian Private Banks to lower the expenses of administration by reducing the operation expenses in order not to be higher than operation income at any of operating years.
3. Management of Syrian Private Banks to increase the charges of its services to raise the revenues that compensate for the changes of the external factors in the economy.

Finally For future studies, the researcher advices to increase the period of the study to be more comprehension and expressed for the results, also the researcher recommends to include more external factors as Interest Rate and Exchange Rate as independent variables.

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