



**Libyan International Medical University**



**Faculty of Business Administration**

**Department of Finance and Bank Management**

**Graduation Project**

**The Impact of Credit Risk on Banks Profitability of USA Banks**

**(2018 – 2021)**

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**Student ID: 2673**

**Supervisor: Dr. Mohamed Abbas**

**Co-Supervisor: Dr. Sabri Elkrghli**

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## Dedication

This capstone project is dedicated to my family and friends who have continuously supported and assisted me throughout this academic program. I would want to dedicate my work to my professors, notably Dr. Mohammed Abbas and Dr. Sabri Elkrghli, as a way of expressing thank you for your patience and support over the last several months.

## **Acknowledgement**

First, I would want to thank and praise Allah (SWT), the Almighty, for the blessings He showered upon me during my research, which allowed me to successfully complete the project.

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I am incredibly appreciative of my parents' love, care, sacrifices, and concern for my growth and future planning.

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Thesis Title: Credit Risk and Its impact on Banks Profitability of USA Banks  
(2018 – 2021)

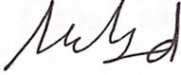

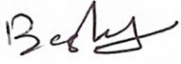
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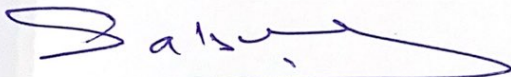
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## Acceptance and Approval

The graduation project titled: Credit Risk and its impact on Banks Profitability of USA Banks (2018 – 2021) was prepared by Mohanned Elzeadani

Project Examiners	Accept	Reject
Dr. Mohammed Abbas (Supervisor)		
Prof. Dr. Sabri Elkrghli (Co-supervisor)		
Dr. Bashar Almansour (Examiner)		



Prof. Dr. Sabri Elkrghli

Dean, Faculty of Business Administration

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## **Abstract**

Credit risk is a major risk for banks, and it can have a significant impact on their profitability. This study examines the impact of credit risk on the profitability of US banks using a sample of 40 observations for the period from 2018 to 2021 using secondary data. The data was collected from annual reports from banks websites. To measure credit risk, capital adequacy ratio (CAR) and non-performing loan ratio (NPLR) are used, return on equity (ROE) and return on assets (ROA) are used to measure profitability. According to panel data regression, The data analysis reveals that credit risk has no significant impact on profitability which means that it is a limitation in accordance to my data analysis. Banks with higher levels of credit risk have lower levels of profitability. This is because higher levels of credit risk lead to higher levels of non-performing loans (NPLRs), which reduces the amount of interest income that banks earn and increases the amount of loan loss provisions that banks must make. Future studies should consider inspecting a specific region instead of conducting a study on banks located in several regions, which could be detrimental for the research.

**Keywords:** Credit Risk, US Banks, Profitability

## المخلص

تعتبر مخاطر الائتمان من المخاطر الرئيسية للمصارف، ويمكن أن يكون لها تأثير كبير على ربحيتها. تبحث هذه الدراسة في تأثير مخاطر الائتمان على ربحية المصارف الأمريكية باستخدام 40 مشاهدة من الفترة 2018 إلى 2021 باستخدام القوائم المالية. تم جمع البيانات من التقارير السنوية من مواقع المصارف الرسمية. نستخدم نسبة كفاية رأس المال (CAR) ونسبة القروض غير العاملة (NPLR) لقياس مخاطر الائتمان والعائد على حقوق الملكية (ROE) والعائد على الأصول (ROA) لقياس ربحية المصارف. وفقاً لبيانات لوحة الانحدار، توصلت الدراسة إلى أن مخاطر الائتمان لها تأثير سلبي على ربحية المصارف. يكشف تحليل البيانات أن مخاطر الائتمان ليس لها تأثير كبير على الربحية مما يعني أنها قيد وفقاً لتحليل بياناتي. المصارف التي لديها مستويات أعلى من مخاطر الائتمان لديها مستويات أقل من الربحية. ويرجع ذلك إلى أن المستويات الأعلى من مخاطر الائتمان تؤدي إلى مستويات أعلى من القروض المتعثرة (NPLRs)، مما يقلل من مقدار دخل الفوائد الذي تكسبه البنوك ويزيد من مخصصات خسائر القروض التي يجب على البنوك القيام بها. يجب أن تفكر الدراسات المستقبلية في فحص منطقة معينة بدلاً من إجراء دراسة على المصارف الموجودة في عدة مناطق، مما قد يكون ضاراً بالبحث.

الكلمات الدالة: مخاطر الائتمان، المصارف الأمريكية، الربحية