

# **Interest Rate and its Impact on the Profitability of Commercial Banks**

## **(the Bank of Syria and Overseas Case Study)**

**Prepared by** **Supervision by Dr.**  
**Ali Mahmud Mohamed** **Ali Kanaan**  
**Department of Banking and Insurance**  
**Faculty of Economics**  
**Damascus University**

### **Abstract**

The interest issue was, for long time ago and still, one of the critical issues debated among economists. Through it, monetary policy tools can be implemented in order to reach the economic goals set by the economic policy of any country. With the appearance of the banks, which have been considered as the backbone of the economy and the basic cell of the national economy growth and its engine as they keep, move, develop, and facilitate the exchange of money, the interest rate has become as a nervous system for commercial banks because of its significant impact on the revenues and expenses of these banks through the interest rates, debtors and creditors, imposed on their activities. Therefore, the main aim of this research is to study the impact of the net interest margin on the profitability of commercial bank by conducting an empirical study in The Bank of Syria and Overseas (BSO). The commercial bank has been chosen because the interests, debtors and creditors, constitute the largest proportion of revenues and expenses of commercial banks by displaying the size of revenues and expenses of the bank and their vulnerability to interest rates imposed by the central bank. This study found that the profitability of commercial banks consists mainly of the net interest margin which reflects the difference between the creditor interests levied for the facilities granted and the debtors interests paid on deposits.