

Roles of Foreign Investment of the Banks in Jordan on Local Assets

Ghazi Abdulmajeed ALRGAIBAT

Faculty Financial and Business Administration/Al al-Bayt University, Jordan, E-mail: ghazi.a.alrqaiabat@gmail.com

Abstract *Jordan was Successful bringing for foreign investment (banks) that gave the facilities to play in economical development, particularly financial performance in lending and savings, so that the local banks (Jordan) has benefited from the presence of these windows in her community, so contrary the establishing of these banks in growing countries like Jordan and involving its with the local banks has a positive impact in taking advantages of the experiences banks (foreign branches in Jordan) in the areas of competition, lending mechanisms, utilize, how these banks (foreign) able to be characterized by financial and administrative performance within a short period to enter the market and the open local and international windows for our local banks. Here comes the importance of talking about the financial performance of foreign banks in Jordan and what are the rules that worked on those banks that got what it got from advanced centers in the world as a whole in the field of economic banking.*

Key words Number, foreign banks, Jordan, local assets

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1. Introduction

Interest of banks and banking has emerged since ancient times, Interesting on the economic system has emerged as a component of the global knowledge device, the role of banks was limited to accepting deposits and converting currency to be developed with the development of global banking to have a vitally important role in the formation of funds and reusing them that the banking is viewed as great and main nerve of the state, the past decade (nineties) has seen a remarkable development in the flow of direct foreign investment to the various countries of the world including Jordan, foreign investment was a multi-has different forms. Opening branches of foreign banks and international big banks in the world of banking has had a noticeable effect on Jordan's economic system. These banks have played an important role in the desirable economic development, which was planned by the central bank and the agreement of all economies, Jordan was Successful bringing for foreign investment (banks) that gave her the facilities to play in economic development, what was her outstanding performance, particularly its financial performance in lending and savings, so that the local banks (Jordan) has benefited from the presence of these windows in her community, foreign banks is not playing distinct roles in our economy, totally contrary the establishing of these banks in growing countries like Jordan and involving its with the local banks has a positive impact in taking advantages of the experiences banks (foreign branches in Jordan) in the areas of competition, lending mechanisms, utilize, how these banks (foreign) valued themselves and able to be characterized by financial and administrative performance within a short period to enter the market and the open local and international windows for our local banks. Here comes the importance of talking about the financial performance of foreign banks in Jordan and what are the rules that worked on those banks that got what it got from advanced centers in the world as a whole in the field of economic banking.

1.1. The problem of the study

Working on seeking and attracting foreign investment is new but is this foreign investment (foreign) bank, based on the above we can formulate:

1. What is the contribution of foreign banks in Jordan for the application of financial performance standards?

2. Make sure where the achievement of foreign banks operating in Jordan profitable enough to stabilize the financial tool?

3. What is the extent of foreign banks operating in Jordan sensitivity to market risks.

1.2. Objectives of the study

The study seeks to achieve the following goals:

1. Identify the nature of the financial performance of banks.
2. Assess the positive and negative effects of foreign banks operating in Jordan.
3. Identify the extent of the contribution of foreign banks in the economic well-being in Jordan.
4. Analysis of influencing foreign banks operating in Jordan economic variables.

1.3. The importance of study

The importance of this study of the importance of the subject itself to contribute and help the economy to raise the wheel of the national economy, and competition between domestic and foreign banks increases the standard of competition to provide the best service.

1.4. Hypotheses

Depending on the specific objectives of the study, the following hypotheses placed:

1. It does not have a statistically significant effect at the significance level (0.05) the foreign assets of foreign bank that operating in Jordan on local assets.
2. It does not have a statistically significant effect at the significance level (0.05) number of foreign banks that operating in Jordan on local assets.

2. Literature review

The Mrbah (2012), studying on the financial performance by using the Balanced Scorecard evaluation. In order to get a balanced assessment of financial performance, depending on the method of qualitative research, including the study talking about the case study, the academic community is made up of airline Airways, Royal Jordanian. Are examined financial published for the years (2011-2012) to study in order to evaluate the financial performance using the Balanced Scorecard, and results of the study spoke about the existence of the effect of using the balanced score card balanced four axes on performance measures based on accounting profit in the air airline Royal Jordanian. preparation to evaluate future performance depending on the application and use of the Balanced Scorecard models form in which it approves the expected goals with future that works which works with the rapid developments and changes in the business community of proportionality.

The Tasmiya, (2014) studying entitled "evaluate the performance of commercial banks using a model case study of Camels National Bank of Algeria" (2008-2012). The aim of this study, which evaluated the performance and efficiency of the National Bank of Algeria and see how the application of the standards of international reputation and financial status of the bank and for that standard Camels has been made on the National Bank of Algeria during the approved period (2008-2012). For that the study discussed from theoretical axis to theoretical concepts to evaluate the performance of commercial banks and the standard Camels. As a practical focus on evaluating the performance of the National Bank of Algeria during the period (2008-2012) and by applying the standard Camels to know the situation and assess the integrity of the international commitment to the management and we will adopt in this theoretical axis and determine the most important terms required by the research and either the practical we will focus on the principle of analysis and description which fits the nature of the research. The results of this study are summarized as follows: The performance evaluation part of the control and help in decision-making and commercial banks are the most important financial institutions and their functions accepting deposits and granting loans and standard Camels most important criteria and indicators to know the strengths and weaknesses of the performance of the bank.

Saiham (2014), studying of commercial banks to evaluate the performance using a form (Camels that) "case study of the National Bank of Algeria (2008-2012)". This study aimed to examine and evaluate the National Bank of Algeria efficiency and what obligations international evaluation criteria, based on the

model Camels were the study period four years (2008-2012), natural approach was used after that analytical method and descriptive was used comported with the nature of the search ,the study sample was all of the local and foreign banks operating in the Algerian banking market sector, the study concluded that the Algerian National Bank is committed to the Basel Committee standards, and departments of local banks must take advantages of foreign banks experiences in the banking sector and benefit from the experiences of workers in foreign banks operating in the Algeria sector.

Shammari (2010) competition among Jordanian banks: Fields and activated in the light of the current global crisis. The Shammari made a study about competition among Jordanian banks: fields and order to be activated in the current global crisis , to identify the most important challenges in front of the Jordanian banks (domestic and foreign) and determine the benefits resulting from activation of the competitiveness of domestic and foreign banks, in order to obtain the study data was used analytical method and (SPSS) program to get into heavy research, the study sample were all national and foreign banks operating in Jordan. The study found that large commercial banks (like Arab bank and foreign banks) Acquired the largest share of knowledge relative to medium and small-sized banks and leaves the effect that the competitiveness of large-sized banks that the competitiveness (Arab) and foreign banks (multiple branches) Able to deal with more than a small-sized banks' conditions while national banks need more guidance towards the areas and tools universal electronic banking such as foreign labor in Jordan, and the need to apply the principles of corporate governance to ensure stakeholder rights and the application of the principles (Basel 2) to evaluate the performance, especially with regard to financial performance.

Study of Siam (2009) the role of cognitive governance in enhancing the efficiency of the Jordanian commercial banks. The Siam made a study the role of cognitive governance in promoting Jordanian commercial banks efficiency in the Hashemite Kingdom of Jordan and the study aimed to identify the most important factors affecting the efficiency of the financial performance of commercial banks operating in Jordan (domestic and foreign) and define the role of corporate governance that play in enhancing competitiveness among banks to reach the better performance. For the purpose of obtaining the adoption of the national curriculum in addition to the analytical inferential statistics for testing hypotheses, and The study population consisted of Jordan's knowledge sector, which includes the Central Bank of Jordan Jordanian and foreign commercial banks and exchange offices, and the study found that assessing the financial performance was better and sharper after the application of the Corporate Governance, and the efficiency of commercial banks succeeded in its financial performance and growth of the size of the facilities provided, and tighten control over the financing operations according to the latest legislative and regulatory reflecting creditable financial performance of banks operating in the Kingdom of Jordan Hashemite foreign and domestic picture.

Tamimi Kaddoumi study (2009) analyzes and evaluates the financial performance of the Jordanian commercial banks for the period (1998-2002). In the Hashemite Kingdom of Jordan, the study aimed to identify the level of financial performance, its assessment of the sample and choose from the Jordanian commercial banks, namely investment banks and for the purpose of the study, data has been used an average financial indicators in the evaluation of activity investment banks, the sample was composed of three investment banks, a study (Arab Jordan investment Bank, Union Bank, Jordan investment Bank and financing). The study found twice as money management that used of the Jordanian investment banks, it turned out that by having a large surplus in the amount of cash held by investment banks, both in the image of cash in hand or with other banks showed a decline in the rate of return on paid-up capital for banks.

Yaseen *et al.* (2015) study "on the Entry of Foreign Bank: The Jordanian Experience". The purpose of this study to conduct the impact of foreign banks to local banks, what is their impact on the financial performance, the study sample contain all the branches of foreign banks which operating in the Kingdom of Jordan, eight branches of foreign banks for a period of (2000-2010). The study found several important results, the most prominent or entry of foreign banks enhances the efficiency of local banks to promote competition between them, this improves the efficiency of banks and thereby ease the costs of financial intermediation , the strengthening of competitiveness between banks, so the entry of foreign banks would lead to improving the performance of local banks, that should focus cognitive policymakers to host other branches would raise the currency of the national economy.

Study (2008) Lee: "Financial Liberalization and Foreign Bank Entry in MENA". This paper analyzes the impact of financial liberalization and the entry of foreign banks on the competitiveness and safety of the local knowledge system, as well as credit growth in conjunction with the financial sector development, the study conducted by the World Bank for the Middle East region to measure the extent of affecting the foreign banks in those countries, Eventually, concluded the study that the development of the financial sector directly linked to the foreign branches banks, financial depth is the basis, by domestic credit expansion to the private sector rather than the public sector, so most of the financial markets back to the state-owned in some countries banks dominance, the basic requirement to encourage the entry of foreign banks that set aside local banks, the final outcome that the entry of foreign banks on emerging economies (Middle East) has had a positive impact on economic development and market knowledge for each state.

Comment on previous studies: The financial performance of banks, a process that requires full awareness by these banks, in particular that was foreign to return for annual reports of these banks, working of studies on the boards of management. Previous studies had focused on the impact of these foreign branches (banks) on the economy, as a whole, therefore, the foreign banks in their last or help the economic recovery of the country. Researcher found that foreign banks operating in the Hashemite Kingdom of Jordan, which helped in the economic development, also the central bank to take advantage of these banks' expertise in how to manage money, benefit from the experience of working in the field of finance and credit, competition and that the central bank action Studies and Research of the importance of branches of foreign banks.

3. Methodology of research

(SPSS) in this study aims to evaluate the performance of foreign banks operating in Jordan, and to identify the mechanism of action of foreign improper Using information and data collection, analysis and interpretation, allowing to provide accurate and objective picture of the subject matter, to be described clearly and discovery will be used descriptive method and statistical method The relationship between variables or between them and any other elements.

3.1. The study population

The study will cover the statements of the foreign banks operating in the Hashemite Kingdom of Jordan for the year (2014) of all foreign banks operating in Jordan.

3.2. The study sample

The study population will consist of all foreign banks operating in the Hashemite Kingdom of Jordan which are nine banks.

3.3. The variables of the study

It should be classified variables to an independent and the dependent variable:

- Independent variable: net domestic assets.
- dependent variables:

1. Net foreign assets.
 2. Number of foreign banks that operating in Jordan.
- And it can be expressed in the following depth equation:

$$N.F.A = a_0 + BNFA + ei \quad (1)$$

$$N.F.A = a_0 + BNDA + ei \quad (2)$$

a_0 : fixed value;

$B1$: the sensitivity of the change in the foreign assets of the domestic assets of banks operating in Jordan;

B2: the sensitivity of the change in the number of foreign banks and foreign banks operating in Jordan;

ei: random error estimation.

3.4. Data analysis and hypothesis testing

This deals with a description of the study community which appointed by the instrument that used the procedures for building and developing necessary to achieve the validity , reliability and statistical methods used to get and know the results of the study.

Statistical methods: using of appropriate statistical tests in order to answer the questions of the study. Test the premise derived from statistical package (SPSS) and therefore will be used as follows:

- Normal distribution test (Normal Distribution) using the test (One -Sample Kolmogorov Test).
- Matrix link "Pearson" transactions to test the independence of the independent variables.
- Arithmetic means and standard deviations.
- Multiple regression analysis (Multiple Regression analysis) to test the validity of the study sample and moral influence of the independent variable

4. Results and discussions

This chapter includes a presentation of statistical results that have been reached after the study data analysis tool that will detect signs of differences to the variables of the study, knowing the nature of the relationship between variables, by answering the hypotheses of the study:

Test hypotheses: To answer these hypotheses, the researcher using regression testing and using of multiple regression, the researcher makes the following tribal tests to ensure the validity of using for simple regression model as shown as follows:

First, descriptive statistics: The researcher has extracted the arithmetic means and standard deviations for the variables of the study, as shown in the table 1.

Table 1. Arithmetic means and standard deviations for the variables

Year	Number of banks	Local/million dinars assets	Foreign assets/million dinars
2009	8	26647.2	5309.7
2010	9	28868.6	6404.5
2011	10	31400.5	6285.9
2012	10	32922.3	6353.1
2013	10	37650.9	5151.9

From the above table that there is a remarkable increase in the number of banks for the years (2009-2013).

1. It can be seen from the above table that there is a remarkable increase in the foreign assets for the years (2009-2010/2011-2012).
2. There is a remarkable increase in domestic assets for the years (2009-2013).
3. There is a marked fluctuation in foreign assets for the years (2009-2013).

Table 2. A normal distribution for the study variables using the Kolmogorov-Smirnov One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test				
		Domestic assets	Foreign assets	The number of banks
N		147	149	149
Normal Parameters ^{a,b}	Mean	228315.01	947254.49	-10319.796
	Std. Deviation	472799.20	371920.0384	37390.025
Most Extreme Differences	Absolute	.325	.337	.365
	Positive	.325	.337	.271
	Negative	-.308	-.308	-.365
Kolmogorov-Smirnov Z		3.940	4.108	4.458
Asymp. Sig. (2-tailed)		.000	.000	.000

a. Test distribution is Normal.

b. Calculated from data.

The previous table shows that most of the statistical significance levels greater than (0.05), a non-statistically significant, which states that the distribution of data may be distributed normal distribution. So I will use the laboratory tests to answer the assumptions which related to the study, such as multiple regression analysis test, also indicated the test results to the validity of data to conduct such a study.

Second: The correlation matrix: The researcher has extracted the correlation matrix between the variables of the study, as shown in the table 3.

Table 3. Correlation matrix between the independent variables of the study and subsidiaries correlations

	Domestic assets	Foreign assets	Number of foreign banks
Pearson correlation	1	-.432**	-.243**
Sig.(2-tailed)		.000	.003
N	147	149	146
Pearson correlation	-.432**	1	-.432**
Sig.(2-tailed)	.000		.000
N	146	149	149
Pearson correlation	-.243**	-.432**	1
Sig.(2-tailed)	.003	.000	
N	146	149	149

** Correlation is signify at the 0.001 level (2- tailed)

It can be seen from the above table that there is no any correlation between the independent variables of the study and subsidiaries. Where the correlation coefficients ranged between (0.04-0.432). Also, the correlation coefficients are positive and the other negative links.

Fourth, test hypotheses by using simple regression analysis:

First, test the main hypothesis:

H0: No statistically significant at the level of significance (0.05 = α) of the impact for domestic assets to foreign assets for the years (2009-2013).

H0: No statistically significant at the level of significance (0.05 = α) of the impact for a number of foreign banks AI foreign assets.

To test this hypothesis, the researcher doing regression analysis independent variables of foreign banks, as shown in the following tables:

Table 4. Specifically correlation coefficient between independent variables and the dependent variable

Model Summary									
Mod	R	Square	Adjusted	dd. Error	Change Statistics				
					Square	Square	Estima	Change	Change
1	.461 ^a	.212	.195	94.4663	.212	12.311	3	137	.000

^aPredictors: (Constant) Foreign assets , Number of banks
^bDependent Variable: Domestic assets

The previous table shows the Pearson correlation between the independent variable and coefficient variable of the market that reached the correlation coefficient (0.46). This is a medium and a positive relationship, which reached the coefficient of determination (R^2) (0.21) that is worth 21% of the changes in total assets resulting from net change in cash from financing activities, investment activities, and operational activities. The researcher extracted the variance of the impact for moral regression analysis of variable and as shown in the table 5.

Tables show the previous one-way analysis of variance (ANOVA) to know the effect of an indication of foreign assets for foreign banks with a number of foreign banks on the domestic assets of banks in Jordan. As is clear from the above table that the value (F) has reached (12.3), level of significance (Sig) was (0.00) which is less than the specified value (0.05), therefore the presence of correlation splash of net foreign assets and the number of banks on the domestic assets of the Jordanian banks (2009-2013).As well

as the researcher to extract the value of T test , the level of significance of the impact of the independent variable on the dependent variable (2009-2013). As shown in the table 6.

Table 5. The impact for moral regression analysis of variable and as shown in the following

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7E+012	3	2.185E+012	12.311	.000 ^a
	Residual	2E+013	137	1.775E+011		
	Total	3E+013	140			

a. Predictors: (Constant), Number of banks , Foreign assets
 b. Dependent Variable: Domestic assets

Table 6. The impact of the independent variable on the dependent variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	157471.0	37729.962		4.174	.000		
	Domestic assets	6.356	1.247	.517	5.095	.000	.559	1.790
	Foreign assets	.081	1.133	.007	.072	.943	.690	1.449
	Number of foreign banks	4.860	2.395	.186	2.029	.044	.681	1.468

a. Dependent Variable: Domestic assets

The impact of the independent variable on the dependent variable extraction test T. The previous table shows the analysis of T test to know the effect of a sign as is clear from the above table that the value of (T) has reached (5.09), level of significance (Sig) was (0.00) which is less than the specified value (0.05), therefore the presence of correlation reached the effect level domestic assets as the value of v (2.02) , the level of significance (0.044), while the presence of trace statistically significant for a number of banks on the domestic assets which does not appear, as the value of (t) test (0.07), and the level of significance (.946).

5. Conclusions and recommendations

1. There is a remarkable increasing in the number of foreign banks for the years (2009-2013).
2. There is a remarkable increasing in domestic assets (2010-2014).
3. There is a marked fluctuation in foreign assets for the years (2009-2013).
4. There is a noticeable fluctuation of foreign assets for the years (2012-2013).
5. There is a correlation between the independent variable of the study. Where the correlation coefficients ranged between (0.04-0.432), also, the correlation coefficients are positive while the other negative.
6. No effect is statistically significant at the level of significance (0.05 = α) for impact of a number foreign banks to years (2009-2013) on local assets.
7. No effect is statistically significant at level of significance (0.05 = α) for impact of foreign assets to years (2010-2014) on local assets.
8. Jordanian banks' profits rise in general and this indicates the presence of the role of foreign banks.
9. Also credit facilities and brokerage were significant progress after the entry of foreign banks to the Jordanian banking market.
10. Jordanian and foreign banks' earnings have risen in general, and this gives us the impression that the effect of foreign banks to increase those profits.
11. Central Bank of Jordan issued instructions, which are inspired by the Basel Committee on 1 and 2 standards that adhere by foreign banks.

Recommendations

1. Demanding to train staff who are working in local banks (National) to deal like foreign banks (the team management, dealing with the others, the art of managing the crisis);

2. The Central Bank must create many of specialist foreign banks to study the feasibility of these foreign branches to serve the interests and see the Central Bank of Jordan how lead us to the desired economic development.

3. Mitigation controls of foreign investment encouraged by laws that help to open windows for foreign banks at home (dilution of drawn constraints, mitigate taxes, facilities).

4. Work on finding foreign branches ends with ownership of the Jordanian economy which necessity of workshops between local and foreign banks that operating in Jordan to take advantage of the capabilities and expertise.

5. The necessity of cooperation on the administrative level and taking advantage of working for foreign banks with respect to (loans, mortgage, interest rates, inflation and the response or not, free competition).

6. The Central Bank must open the door more and more in front of banks (foreign) to revive the local economy and create opportunities to compete.

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