NEAR EAST UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF BANKING AND FINANCE
BANKING AND ACCOUNTING PROGRAMME

# THE EFFECT OF FOREIGN DIRECT INVESTMENT ON THE FINANCIAL PERFORMANCE OF THE BANKING SECTOR IN JORDAN

ABDELRAHMAN MAZIN ZAROUR

MASTER'S THESIS

NICOSIA

2018

# THE EFFECT OF FOREIGN DIRECT INVESTMENT ON THE FINANCIAL PERFORMANCE OF THE BANKING SECTOR IN JORDAN

ABDELRAHMAN MAZIN ZAROUR

20175294

MASTER'S THESIS

THESIS SUPERVISOR:

Assoc. Prof. Dr. Aliya Isiksal

NICOSIA

2018

# ACCEPTANCE/APPROVAL

We as the jury members certify the **'THE EFFECT OF FOREIGN DIRECT INVESTMENT ON THE FINANCIAL PERFORMANCE OF THE BANKING SECTOR IN JORDAN'** prepared by the ABDELRAHMAN MAZIN ZAROUR defended on 26/1/2018 has been found satisfactory for the award of degree of Master.

## JURY MEMBERS

.....

**Assoc. Prof. Dr. Aliya ISIKSAL (Supervisor)** Near East University/Department of Banking and Finance

.....

**Assist. Prof. Dr. NIL GUNSEL RESATOGLU (Head of Jury)**
Near East University/Department of Banking and Finance

.....

**Dr. Andisheh Saliminezhad**
Near East University/Department of Economics

.....

**Prof. Dr. Mustafa SAGSAN**
Graduate School of Social Sciences
Director

# DECLARATION

I am a master student at the Banking and Accounting, hereby declare that this dissertation entitled **'THE EFFECT OF FOREIGN DIRECT INVESTMENT ON THE FINANCIAL PERFORMANCE OF THE BANKING SECTOR IN JORDAN'** has been prepared myself under the guidance and supervision of 'Assisst. Prof. Dr. Aliya Isiksal' in partial fulfilment of the Near East University, Graduate School of Social Sciences regulations and does not to the best of my knowledge breach and Law of Copyrights and has been tested for plagiarism and a copy of the result can be found in the Thesis.

- The full extent of my Thesis can be accesible from anywhere.
- My Thesis can only be accesible from Near East University.
- My Thesis cannot be accesible for two(2) years. If I do not apply for extention at the end of this period, the full extent of my Thesis will be accesible from anywhere.

**Date**

**Signature**

**Name, Surname: Abdelrahman Mazin Zarour**

# DEDICATION

I am dedicating this thesis to the two persons, who believed in me, my beloved parents, who have supported me throughout the process of preparing my thesis. I am also dedicating it to my supervisor **"Assoc. Prof. Dr. Aliya Isiksal"** and send her my special thanks. Finally, I will always appreciate what my friends have done and send them my best regards.

# ACKNOWLEDGMENTS

It was an honor for me to study at this university and prepare my thesis under the wonderful assistance of my supervisor “Assoc. Prof. Dr. Aliya Isiksal”. In addition, I would like to send my best regards to all of the Banking and Accounting Department staff and the jury members. Finally, I want to thank everyone who helped me to do this thesis.

# ABSTRACT

The dissertation investigates and describes the relationship between the performance of the banks in Jordan and the Foreign Direct Investments (FDI). However, there is a limited number of studies that analyzed the conditions such as Return on Assets (ROA), bank size and deposits, with these conditions in mind, this paper shows how (FDI) would affect the Banking Sector in Jordan. The sample contains all types of banks and the data is collected from the first quarter of March 2000 to the last quarter of December. In addition, the used data was analyzed using the Autoregressive Distributed Lag (ARDL) Model and some other tests such as the unit root test (ADF, P.P), the bounds test and the stability test. The conclusions for this paper contain the results obtained, which is related to the relationship between (FDI) and the performance of the banking sector in Jordan, the (FDI) is affecting the banks in Jordan in a negative way and it is necessary to reduce this kind of investment.

# ÖZ

Özet Bu tez Ürdün Bankalarının ve Yabancı Direk Yatırımcıların arasindaki ilişkiyi inceleyip açıklık getirmektedir. Fakat Aktif Karlılığı, bankaların cesametini ve depozitlerini göz önünde bulundurarak, inceleyen çalışmaların sınırlı sayıda olması bu kağıtda da gösterildiği gibi Ürdün Bankacılık Sektörü üzerine etkisi mümkündür. Buradaki örnekleme, bütün banka türlerini içermekte ve Mart 2000 yılının ilk çeyreğinden Aralık ayı spn çeyreğe kadar elde edilen verileri bulundurur. Ayrıca, bu veriler (ARDL) sınır testi ve diğer ardışık birim kök testi (ADF, P.P), sınır testi son olarak stabilite testi gibi formüller ile elde edilmiştir. Bu kağıtın sonuç bölümü Yabancı Direk Yatırımcı ve Ürdün Bankacılık Sektörü arasındaki bağı nitelendirir ek olarak Yabancı Direk Yatırımcı gibi yatırımların Ürdün'ün bankalarını nasıl negatif bir yönde etkilediğini ve bu tarz yatırımların azaltılması gerektiğini vurgulamaktadır

**Table of Contents**

# LIST OF FIGURES

# LIST OF TABLES

# LIST OF ABBREVIATIONS

**ROA:** Return on Assets.

**ROE:** Return on Equity.

**BS:** Bank Size.

**BD:** Bank Deposits.

**FDI:** Foreign Direct Investments.

**FC:** Financial Crisis.

**ADF:** Augmented Dicky-Fuller.

**PP:** Phillips Perron.

**ARDL:** Autoregressive Distributed Lag.

**EG:** Economic Growth.

**GDP:** Gross Domestic Product.

# INTRODUCTION

Attracting foreign direct investment is one of the main goals for countries, and is considered as the main reason for evolution in the economic growth. After exploiting all the ways and solutions to face the financial problems they have, these countries try with all efforts to attract (FDI) after recognizing the advantages of these investments such as the development of their national products (foreign companies do not enter the same economic field of activity that the national companies practice), the transfer of technology by applying some programs for Human Resources (HR) (even if the foreign companies focus their programs in the motherland), finally the benefits made to the poor investment climate in the developing countries. We can find many forms for (FDI) nowadays, according to (Stephen Hymer) who studied foreign direct investment in the 1960s, (FDI) controls the inputs, outputs, supply, and demand of goods and thus he called it the neoclassical economics. In addition, he mentioned that there are many forms for (FDI) rather than the standard form understood as the payments that can be exchanged with company holders. On the other hand, all previous studies were unanimous in dividing the foreign direct investment into three types: First, the Horizontal (FDI) and that is when the company makes the same original activities abroad. (e.g. Mercedes Benz gather motor cars in Germany and Egypt). Second, the Vertical Type which contains both the (Upstream and Downstream styles), when the company makes its activities closer to the market abroad and different types of activities reenact abroad and this is the (Upstream type), while (Downstream type) is when a firm goes back toward raw materials. The third type, which is the final one, is the Conglomerate Type, in this type we can say that the company invests in an unrelated business (different from the major business they do in the mother country). At the end, we must be fair when we talk about (FDI) and mention some of the determinants of it such as market size, political issues and tax restrictions.

Additionally, there are many factors that can determine the economy, one of them and maybe the most important, is the performance of the banks. As we know, banks are one of the main factors that can develop a country because of the important services they provide such as checks, safety

boxes and foreign currency services, and we cannot forget the creation of money too. In addition, they can run people portfolios by taking the crucial decisions related to their investments (Bendi and D'Agnolo, 2008).

foreign direct investment can play a huge role in the banking sector, huge development can be made and an increase in their performance. In developing countries especially the like in the GCC countries, (FDI) inflows are increasing because of the facilities they make for foreign investors. On the other hand, in Jordan, the mean of (FDI) is 455 Million during the period from 2009 to 2018, and we can notice from the Jordanian Central Bank that there is a drop in (FDI) inflows from 1713 Million in 2009 to 188 Million in 2018 (these figures are in Jordanian Dinar). In the end, increasing foreign investment is a world demand and can be the main source for income in any country in the world.

# CHAPTER 1

## 1.1 Introduction and the significance of the topic

There are many studies that detected the relationship between the foreign direct investments and the economies, and we can divide these studies to two groups, the first group contains the people who supported the foreign investments, and they also asked their governments to attract more of these investments. On the other side, the second group, which contains the people who thinks that these investments has many disadvantages; they are saying that sometimes these investments are affecting the economies in a negative way, hence, they are strongly oppose these investments. In this study we will focus on the relationship between the foreign direct investments and Jordan, especially, the Jordanian banking sector, also, we want to study the effect of these investments on the performance of the banks and that to decide for any group we will join. At the end, we summarized the objective, problem and importance of this study in this chapter.

## 1.2 Research Problem

While talking about the importance of foreign investments and the positive impact they can achieve to economy, we must know how this type of investment can affect the Jordanian banking sector in particular. Most of the previous studies noted that there is a positive relationship between (FDI) and the performance of banks in different countries. However, a limited number of studies analyzed other conditions such as the Return on Assets (ROA), bank size and deposits. With these conditions in mind, this paper studies how (FDI) would positively affect the Jordanian banking sector performance.

The research question is as follows:

- Does Foreign Direct Investment affect the performance of the Jordanian banking sector?

### 1.3 Objectives of the Study

The main objective of this study is to investigate whether Foreign Direct Investment affects the performance of banks in Jordan.

### *1.4* Importance of the Study

Countries seek to attract foreign investments because of their benefits to recipient economies in achieving improvements in capital structure. One of the main reasons why big countries have strong economies is the foreign direct investment and the ways they invent to attract foreign investors or even foreign ownership to their economies, a matter which deserves to be studied and analyzed. To build a strong economy, we must consider developing all the sectors that the economy depends on, such as the banking sector, and our main purpose is to increase the efficiency of the Jordanian banking sector and understand the role of foreign direct investment in achieving that.

### *1.5 Study Justification*

*This study will achieve the requirements of the (NEU) Banking and Accounting Department and as I said before, the main objective of this study is to know whether the foreign direct investment affects the performance of banks, specifically in Jordan. Moreover, how can Jordanian banks attract foreign investment? What facilities can they give to foreign investors with fewer restrictions in order to encourage them to invest in Jordan? How would this help the banking sector perform better in alignment with the government goals in building a better environment for investment and economy development?*

### *1.6 The Structure of the Study*

*The study is divided into six main chapters; the first one is an introduction to the study discussing the problems and objectives of the study, the second one is the theoretical part, which contains the definition of FDI, benefits and determinants. In addition, it deals with the Return on Assets (ROA) and its importance in measuring the performance of banks. Moreover, this chapter contains the literature review, which means previous studies in this particular subject. The third and fourth chapters talk about the methodology, the tests that have been made and the data analysis (the results we obtained). Finally, we conclude our results and recommend some advice in the fifth chapter.*

## CHAPTER 2
## THEORETICAL BACKGROUND AND LITERATURE REVIEW

### 2.1 Introduction:

Like any other investment in the world, foreign direct investment has its advantages, disadvantages and determinants. In this chapter, we will approach these in detail. Moreover, we will talk about the profitability of banks and how it is related to foreign investments. This chapter contains some of the previous studies that discussed the relationship between (FDI) and the performance of banks in particular, and the banking sector in general. While there are many supporters for the positive impact made by (FDI), many people are against it.

### 2.2 Definition of Foreign Direct Investment

Foreign Direct Investment is one of the major goals for any country, and one of the main sources of income as we said before. When we say (FDI) we mean the investments that come from outside countries, institutions or independent people. It can appear in many ways such as investing by buying stocks in some domestic firms, which is called foreign ownership, or maybe as portfolio investments. Some people think that foreign direct investment only brings money to a domestic country without knowing the real meaning of these investments; but (FDI) brings technology, abilities, experience, talents, and professionalism. Countries that are most in need of such investment are the developing countries, or maybe we can say the poor ones, an economic boom may occur in these countries due to foreign investments, although domestic companies might consider it as a new intruder. On the other hand, the benefits of foreign investments will affect both people and companies of domestic countries; people will find new opportunities for them to work, and a competitive field will be created because of these investments, which will help domestic companies to prove themselves.

## 2.3 The Advantages of Foreign Direct Investments

As we said earlier, foreign direct investment is one of the main sources of income for many economies. According to the OECD, the outrush of (FDIs) increased by 618 billion in the period

between 2000 and 2003. Hence, we can see that (FDI) results have increased in an unexpected way, which is bigger than the trade and return of the whole world. As we can see in Figure 2.1, the inflows of (FDI) in the period between1992 and 2003 (are moving upwards). We can notice the huge efforts that have been made by these countries to attract foreign investments.

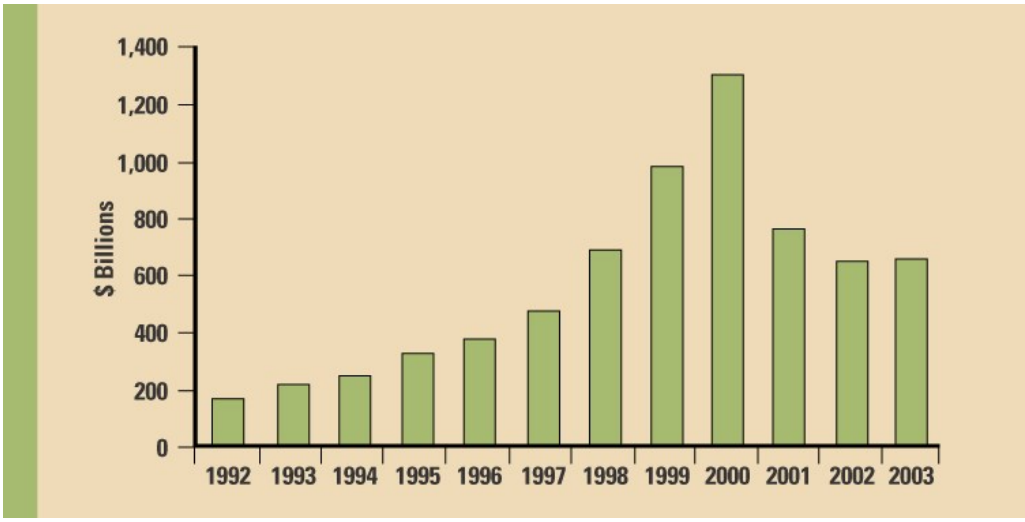



**Figure 2.1**

Source: (OECD)

The first question that comes to our minds due to the previous statistics is "why these countries make huge efforts to attract these investments and what kind of benefits does (FDI) provides? When we look at the history of (FDI) and the benefits achieved by it, we can conclude the following advantages:

**1-** Developing Human Resources (HR) in domestic countries: As we know (HR) skills are one of the most important skills that companies need, the role of (FDI) in this case is to bring new methodologies and skills to domestic countries, which can develop labor skills and lead them to earn more money.

**2-** Job opportunities: When foreign investors invest in domestic countries, they will refresh the economy and that means providing more opportunities for people to work (decrease in unemployment).

**3-** Foreign Direct Investments bring new technologies that have not yet been available in domestic countries.

**4-** It will help domestic countries to work hard to prove themselves and their products, domestic companies will feel jealous of the foreign companies' efficient work.

**5-** Some of the most important sectors on which (FDI) effect can be seen clearly are the food and construction services.

**6-** Increasing the growth of the economy and developing all sectors in domestic countries.

**7-** (FDI) has an influence on products and their costs and it plays a huge role in decreasing these costs.

In the end, we can notice the importance of foreign investments and how these investments are considered as one of the main goals for any economy. On the other hand, any foreign investor cares about regulations in the host country, and some economies are trying to limit the restrictions of such regulations in order to attract more foreign investors. In GCC countries, restrictions were one of the major impediments that faced foreign investors, however, in the last few years, these countries tried to open the door for foreign investors. Another example, which is Jordan, is considered as one of the most attractive countries in the Middle East because it provides a secure and solid environment to investors, regardless of the political issues they are facing. We must not forget both the U.S and European economies, which are considered as the strongest economies on this planet and are called developed economies even though they still need this type of investments.

We can summarize the Advantages of (FDI) in Figure 2.2:

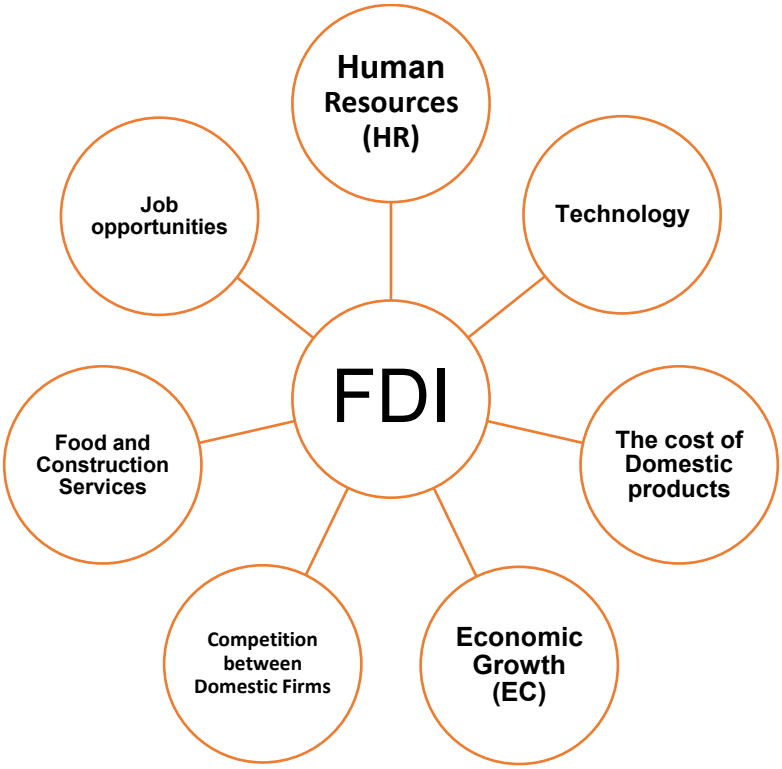



**Figure 2.2**

Source: Author

## 2.4 The Disadvantages of Foreign Direct Investments

We talked about the advantages of foreign direct investment and its importance, but countries are not the same, and there is a huge difference between their economies, so the effect of these investments will not be the same and sometimes it is going to be a negative effect, which means, they do not need this type of investments in their economies. Sometimes, the diplomatic situation plays a huge role in attracting foreign investors or not, and it is used by investors to measure risk percentage; when the host country faces political problems, for whatever reason, foreign investors

will not be enthusiastic to invest in these countries. On the other hand, when the government of the host country is stable and faces no political threats, this means that it is a secure environment to invest in, which can affect foreign investments positively. Thus, foreign investors will be comfortable to invest in these countries with significant funds. Another threat that faces foreign investors, and is related to the diplomatic situation too, is the authority imposed on these investments. When a government cannot control foreign companies and imposes strict restrictions and regulations on them, the government will put a huge pressure on foreign investors and sometimes they will consider it as a threat to their national security and try to get rid of them. Putting politics aside, lifestyle differences have a hand in getting foreign investments away from domestic countries; there are many businesses that cannot be applicable in certain countries because of their culture, society and level of education. All countries are trying to charm foreign investors and provide them with some facilities; but these facilities are a double-edged sword. At first, the government attracts investors and lures them to invest in their country, but this will turn against them. To explain this case, the government relieves foreign investors from taxes and in the long run; it will lose more than it has gained from such investments. From another perspective, one of the reasons that make foreign investors change their minds is the huge amounts they will spend on these investments, hence, investors study and analyze the consequences of that to take a decision whether to invest outside or not. One of the (FDI) forms is the merger and acquisition, and that leads the domestic firms to be careful while dealing with foreign companies because of the possibility that these firms are going to lose the possession of their companies, this is considered as one of the indirect disadvantages for foreign direct investments.

We can summarize the Disadvantages of (FDI) in Figure 2.3:

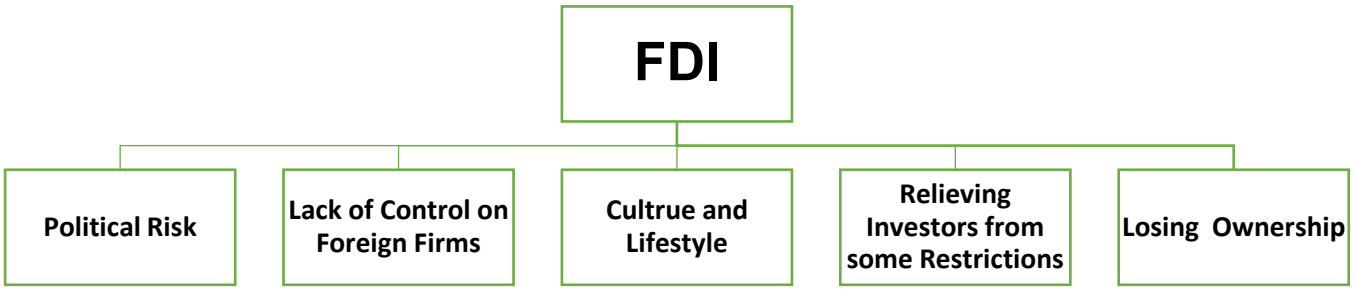



**Figure 2.3** Source: Author

## 2.5 Foreign Direct Investments Determinants

We mentioned earlier the advantages and disadvantages of (FDI), but when we look back to history, we must refer to the financial crises that happened before. All economies of countries were damaged and there was no cash to fund their investments, in the 1980s, the banks started to borrow money from one another because of the debt crises. In addition, it was mandatory for them to change their policies by reducing the regulations in order to attract foreign investors again and that helped them to build a solid environment again, hence, fewer regulations and restrictions such as reducing the taxes for foreign investors and offering other benefits, was the simplest way to get capital, rebuild their economies and solve their liquidity problems. Also, they were forced to establish some determinants to control foreign investments, and we can summarize these determinants as follows:

**1- The Size of the Market:** Many theories maintain that foreign investors are attracted to countries with huge economies, because when they invest in these economies, their firms will earn more money, the buying power will increase and that will lead to an increase in the return of their investments. Moreover, markets in these economies are efficient and almost without risk, so foreign investors will not be worried about their money. In addition, many previous studies talked about (GDP) and considered it as the benchmark of market size, hence, when the (GDP) for a

country increases that indicates that the size of the market is increasing too and is becoming more efficient.

**2- The Labor Costs Efficiency of Production:** One of the most important factors that can encourage foreign investors to move their investments to other countries is the labor costs; if the labor wages in the domestic countries are cheap, foreign investors will be enthusiastic to invest in their countries, but when the wages are high that will discourage them to invest.

**3- Tax Restrictions:** Tax is one of the factors that dishearten investors. On the other hand, it is one of the main sources of income in most countries and that creates a conflict between these two ideas. Some countries are trying to reduce the tax restrictions and regulations in order to attract more investors. Many of the previous studies mentioned the negative relationship between tax and (FDI), and concluded that one of the solutions to gain more foreign investors is to take into consideration the tax restrictions they establish. An example of how taxes affect (FDI) negatively; many people in Jordan closed their businesses because of the high taxes imposed and the strict restrictions the Jordanian government puts, (taking into consideration the size of these businesses), it led to disappointing foreign investors.

**4- Infrastructure:** The infrastructure is considered as one of the determinants of foreign investments because of the positive relationship between both (FDI) and the infrastructure of the country. The country's infrastructure is one of the factors that can force the foreign investors to bring their investments and to feel comfortable about putting their money in a country like this. A strong infrastructure indicates that the government is trying to develop the country in any way they can.

**5- The Risk Created because of Political Issues:** Political risks and diplomatic situations play a huge role in attracting foreign investments, as we said earlier; if the risk is high, foreign investors will be conservative about investing in these countries and vice versa. For example, foreign

investors try to avoid investing in some countries in Africa, such as Zambia and Kongo, because the risk there is so high.

**6- Openness:** Many countries export and import products and they are active globally, and that is what foreign investors need, an unbiased country that can accept and agree with new ideas to develop their countries. Previous studies concluded a positive relationship between (FDI) and openness.

We can summarize the determinants of (FDI) in Figure 2.4:

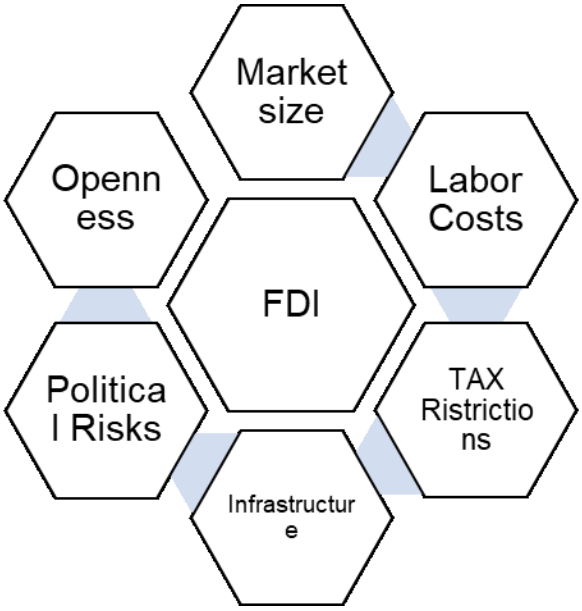



**Figure 2.4**

Source: Author

## 2.6 Forms of Foreign Direct Investment

Outside direct venture might be through fractional or total responsibility for speculation venture by the remote organization. Remote speculation takes the accompanying structures (Peralta, Wauthy and van Ypersele, 2006):

**1)** Joint Investment.
**2)** Investments completely claimed by the outside financial specialist.
**3)** Projects or get together activities.

**1) Joint Investment:**

Common speculation, as characterized by Kolde, is one "in which two gatherings (or two huge people) or two from two unique nations take an interest for a permanent time, and support here is not constrained to the offer of capital, but it also stretches out to executives, encounter, licenses, trademarks, and so on." The joint venture has the accompanying qualities (Peralta, Wauthy and van Ypersele, 2006):

1- It is a long whole consent to participate in beneficial action inside the host nation.

2- The national party might be an open figure or a private element.

3- A remote financial specialist purchases an offer of a current national organization that changes over the organization into a joint venture organization.

4- The gatherings to the venture (both the national and outside gatherings) will partake in the speculation venture through participating in an offer of capital or every bit of it given that the other party gives innovation.

5- Alternatively, it might be concluded through the arrangement of experience, learning, work or innovation.

6- Providing data, showcasing learning, or market introduction.

7- The privilege of each gathering to put resources into taking an interest in the administration of the joint endeavor, this is viewed as the most vital distinction that separates the joint venture from different contracts, for example:

- A case of this joint endeavor was the association between the Henkel Foundation and the National Energizing Establishment (ENAD). On account of this agreement, Henkel profited from the prepared to-utilize plants and the neighborhood mark Isis.
- Preferences and drawbacks of joint speculation for host nations: **1)** Focal points and **2)** Inconveniences.

**1) Focal points:**

For creating nations, joint speculation is a standout among the most acknowledged types of remote direct interest in the greater part of these nations. In light of past advancement encounter, the nations noticed that the strategies for innovation exchange, for example, manufacturing plants are not adequate to create mechanical monetary development. It is dynamic in the nearby market through the foundation of joint establishments in which the commitment of outside organizations is under half. Notwithstanding making new openings for work, enhancing the equalization of installments by expanding send out circumstances or constraining imports, building up the limit of nearby administrators and making vertical and forward financial reconciliation associations with different monetary and benefit exercises of host nations. Joint ventures enable creating nations to accomplish three destinations (Bucovetsky and Haufler, 2008):

- The remote establishment is straightforwardly associated with the task of the movement inside the neighborhood and the relationship is overwhelmed by a provider/client that does not enable the adequate innovative exchange to develop. The joint foundation is connected to the outside organization and in this manner generally works as a microcosm of the remote parent organization.

- Restricting the development of global organizations with the end goal to stay away from their astute conduct. The nearby accomplice establishment goes about as an onlooker equipped for forestalling such conduct (applying special costs for the remote parent company, and so on.).

- To help incorporate the neighborhood economy into the worldwide economy by mainstreaming the utilization of joint ventures between nearby establishments.

**2) Inconveniences:**

**The inconveniences of this kind of speculation are (Hong and Smart, 2010):**

- Lower money related limit of the neighborhood financial specialist may prompt the little size of joint endeavor, which decreases the commitment of the last in accomplishing the objectives of the State to build work openings, fulfilling the nearby market needs of items, mechanical modernization.

- In contrast, when the speculation extends, that is entirely possessed by the remote speculator, the commitment of interest in the arrangement of outside monetary standards and enhancing the parity of installments is little.

- The after effects of the joint undertaking are extraordinarily impacted by the arrangement of the costs of the organization (remote establishment), the last can furnish the joint endeavor with materials and venture gear and consequently get money related pay in a few structures, enabling them to make benefits for their dealings with the joint endeavor regardless of whether the joint undertaking itself does not get benefits, but rather for the nearby party it can't do the equivalent since its benefits are straightforwardly identified with the benefits of the joint venture.

The benefits acquired by the remote dealer by implication (from his dealings with the joint endeavor) will influence the benefits of the joint undertaking.

The circumstance here is a pre-finding of benefits and the sharing of the rest with the neighborhood customer, who can't regularly shield himself since he doesn't have the abilities and specialized data (e.g. how might he judge that the value connected to materials bought from an outside organization on the off chance that he doesn't have data on the global market for such materials) (Hong and Smart, 2010).

- The task speaks to just a little and restricted piece of its arrangement of exercises for the outside parent organization. Consequently, some of the time is spent to modify the liquidity of its items and speculations between various districts and exercises (restricting generation, constraining venture or fare, and so on). The accomplices, indeed, originate from the unequal of the accomplices. The joint endeavor for most of the neighborhood merchants is an essential wellspring of salary, yet the main speculation for them and any interruption in the activity of the joint endeavor will cost the nearby client dearly (Haufler and Runkel, 2012).

**2) Investments completely claimed by the outside financial specialist:**

This kind of speculation is spoken to by the foundation, by the worldwide organizations of creation or showcasing branches in the host nation. It is a standout amongst the most favored sorts of remote speculations by outside organizations due to the points of interest it gets from this kind of venture.

Focal points and inconveniences of speculations are completely possessed by the remote financial specialist for host nations. Therefore, we mention the benefits of this sort of speculation as the following (Slemrod and Wilson, 2008):

- Increasing the volume of remote capital streams to nations.
- Due to the vast size of this sort of speculation, this fulfills the requirements of the network of various products or administrations with the likelihood of a surplus for fare or decrease imports, which results in enhanced parity of installments of the host nation.

- This sort of speculation adds to innovative modernization on a huge and powerful scale in the host nation, when contrasted with different types of the outside venture, particularly aberrant types of the venture.

- **Defects:**

Many creating nations are reluctant to acknowledge this kind of speculation since they fear monetary reliance and global enterprises' imposing business model on creating nations facilitating these ventures. Be that as it may, creating nations with the end goal to draw in more outside speculations, permit this sort of venture, for example, South Korea, Brazil, Mexico (Slemrod and Wilson, 2008).

**Favorable Circumstances and Determinants from the Point of View of Remote Organizations**:

**A) Advantages:**

Some of the favorable circumstances accomplished by the outside gathering from speculations entirely claimed by the remote speculator are:

- Through this speculation, there is full opportunity to deal with the venture in the entirety of its exercises (generation, promoting, money related and human asset approaches).
- The measure of the benefits anticipated that would be acquired because of the ease of data sources and factors of the creation of various kinds in creating nations.
- The outright responsibility for speculation venture defeats the exchange and traditions confinements forced by the host nations on imports.

**B) Disadvantages:**

- This sort of venture needs colossal capital contrasted with joint speculations.
- Non-business hazards that might be presented to the venture entirely possessed by the remote financial specialist, for example, nationalization, reallocation, constrained liquidation or demolition coming about because of political or social insecurity or common

wars in host creating nations, particularly if there was interest in vital enterprises, for example, oil industry, weapons and medications.

**3) Projects or Get Together Activities:**

These ventures appear as an assertion between the outside gathering and the national party, regardless of whether open or private, under which the principal party supplies the second party with the segments of a specific item to be joined into the last item. These accumulation tasks may appear as a joint venture or full responsibility for outside speculation venture.

It is obvious from this that there are different types of remote direct speculation, and that each frame has focal points and negative impacts. With the end goal to relieve these negative impacts and boost the normal results of these speculations, the great direction is required for outside ventures and their control.

In 1995, remote direct interest in creating nations represented 38% of aggregate outside direct speculation. (FDI) multiplied in comparison with 1990, speaking of 12% of FDI. In any case, the latter's dissemination among creating nations was unreasonable, with about half going to East Asia and 28% to Latin America. The inquiry here is: What factors pull in FDI and consequently make a nation appealing contrasted with another nation.

Creating nations, with the end goal to draw in outside speculators, offer them numerous sorts of motivators, offices, and benefits. In any case, it is not right to think that a decent variety of impetuses or offices and benefits allowed to financial specialists fundamentally lead to an expansion in the volume of outside speculations or increment the appeal of the state to remote venture. The appeal of the state depends on the motivating forces and assurances given, as well as different components that significantly affect the stream of outside ventures to this nation.

## 2.7 Foreign Direct Investment (FDI) in Jordan

### 2.7.1 Background

The strategic location of Jordan helped its economy a lot, especially when the GCC countries did a huge effort to attract foreign investments in the last two decades, Jordan was influenced by these investments which refreshed its economy. According to (UNCTAD), U.S increased their supports to 1.275 billion in 2016 that affected and helped Jordan especially when they accepted the displaced people from Syria, but in 2017 the situation changed and the (FDI) income was 1.6 billion and the predicted amount was 33.8 billion. In addition, (FDI) percentage was 83.7% from the country total Gross Domestic Products (G.D.P), before that, specifically in 2014, Jordan changed some of the regulations and restrictions it imposed and replaced them by new rules to control this type of investment, one of these rules is the (Tax law), which led to a negative evaluation from the world bank. The investment environment changed in a bad way and that discouraged investors from keeping their investments in Jordan, hence, many foreign investors withdrew their investments from Jordan. Because of that, Jordan ranking changed from 103rd to 190.

Jordan is working on their infrastructure and on the main services such as transportation, water, and electricity. In addition, the Jordanian government is willing to connect the Red Sea and the Dead Sea together and they will start this project in 2018. On the other side, the factors that can affect and attract foreign investors in Jordan are: First, the political stability because of King Abdullah's wise leadership. Second, the location of Jordan plus the good connections they have with the strongest and biggest countries such as the U.K and U.S.A, which means the investment environment here is safe. Third, we cannot forget tourism, which is considered as one of the main sources of income in Jordan. Fourth, the competition between people will increase, because of the high level of education in Jordan, that will lead to a decrease in labor prices and that is exactly what the foreign investors want.

We can say that the Jordanian government is working hard to attract these investments, and they are trying to create a professional field specifically for foreign investors to make them feel comfortable when they invest in Jordan. Aqaba Special Economic Zone (ASEZ) is one of the areas that attract foreign investors most. Moreover, the location of (ASEZ), which is on the Red Sea, is

one of the special factors that characterize this region and charm foreign investors; the zone was opened in (2001) and covers an area of 375 KM. There are many advantages for this zone such as the lack of restrictions on foreign currency, the warranty on rights and ownership and lower tax rates for foreign investors. On the other hand, we must mention one of the most important governmental institutions that contribute to the development of the Jordanian economy, which is Jordan Investments Board (JIB). This sector in addition to the private sector, are making huge plans to attract foreign investors and they are trying to protect the Jordanian economy, both of them are making use of the stability in the economy, the opportunities in Jordan to invest and the supporting laws and regulations, to attract the foreign investors and bring these investments in Jordan. On the contrary, when foreign investors invest in any economy, the domestic firms will not be able to compete with these strong firms, and that will lead the domestic companies to collapse, which affects all aspects of the economy. Hence, even if interests were high and governments would gain money, but in the long term, foreign investments would affect the economy in a negative way. In other words, that is why (JIB) is trying to control the process of attracting foreign investments as much as they can.

As we said before, Foreign Direct Investment is one of the most important sources for income in many countries, and all countries are trying to bring these investments to their economies. One of these countries is Jordan, we talked about the factors that can attract foreign investors and the main duty for the governmental institutions that are working on attracting foreign investors to Jordanian economy such as (ASEZ) and (JIB). But the reasons why the Jordanian government wants these investments badly are: First, the positive effect on the economic growth (EG) because of the positive relationship between both of them, second, refreshing the economy in all sectors plus the need for new services, products and technologies that can affect the economy in a positive way.

We can see below the (F.D.I) inflow in Jordan from (2015-2018):

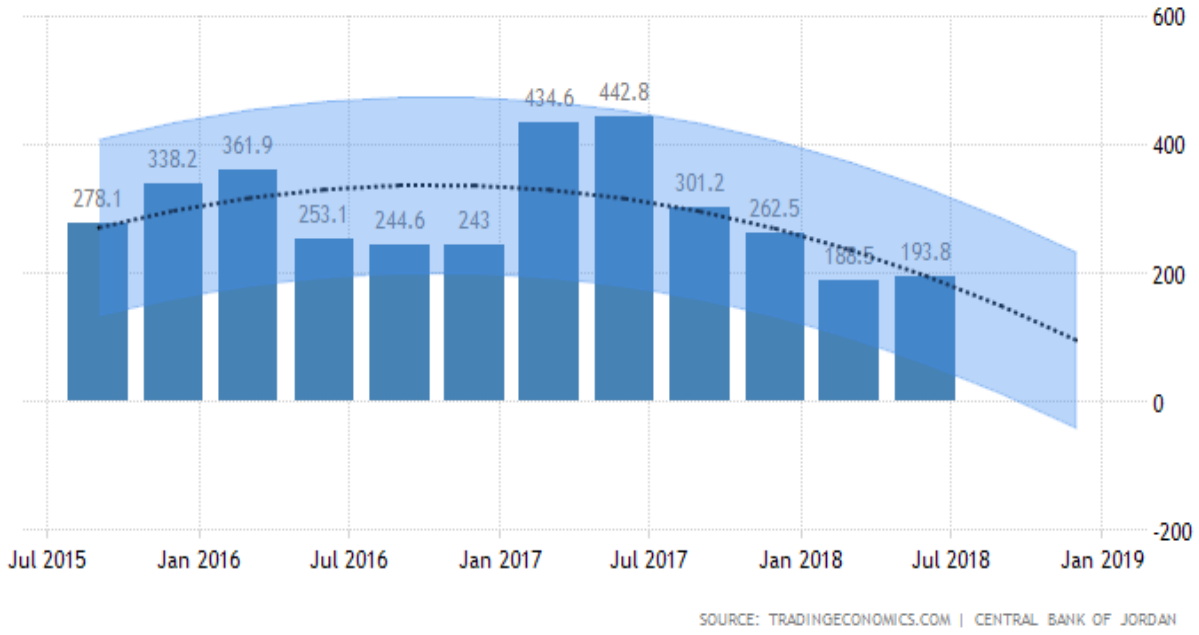



**Figure 2.5** Source: Tradingeconomies.com

We can see from this figure and according to the history of (FDI) in Jordan, the (FDI) inflow in 2009 was 1713.30 Million and that is considered as the highest amount ever that entered Jordan. On the other side, the lowest amount that entered Jordan was 188.50 Million and that was in 2008 and specifically in the first quarter. In addition, the latest statistics showed that there was a progress in the 2nd quarter of 2018 which increased the (FDI) inflows; the results of this progress are estimated by 193.80.

### 2.7.2 The Factors that can affect FDI in Jordan

**1) The Inflation Rate.**

**2) The Economic Growth (GDP).**

**3) Exchange Rate.**

**1) The Inflation Rate:**

One of the reasons that attract foreign investors is the low inflation rate, according to (Trading Economics), the inflation rate increased gradually for the period (2001 to 2007). However, it increased in an unexpected way in 2008 and the inflation rate was (13.9%), but from 1977 until now, the average of the inflation rate is 5.24%.

**Inflation Rate:** When the prices of products increase in a huge way, it affects the Purchasing Power of the currency (Jordanian Dinar).

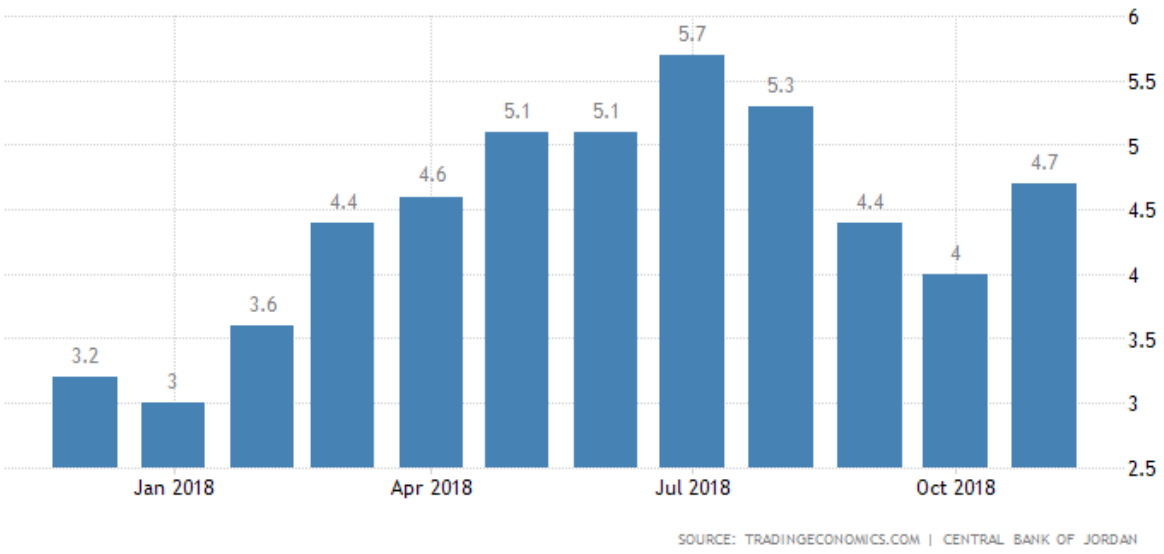



**Figure 2.6** Source: Tradingeconomies.com

**2) The Economic Growth (GDP):**

The relationship between FDI and Economic Growth (GDP) is strongly positive; the previous studies measured Economic Growth through GDP, which is the Gross Domestic Product. Foreign investors are looking for a stable and strong economy to move their investments to. According to (Trading Economics), the percentage of GDP was 6% for the period of (1965 to 2017), which indicates that the Jordanian economy is one of the most stable economies in the Middle East.

Moreover, in the last year the result of GDP was $ 40.07 billion and this is the highest amount ever for GDP in Jordan.

**Economic Growth:** The measurement of economic situation, in other words, the highest level of capacity that the economy can reach by producing goods, services, and attracting more foreign investments to gain more.

**Gross Domestic Product:** The amount of all produced products and services in the market, in a specified period.


**Figure 2.7** Source: Tradingeconomies.com

**3) Exchange Rate:**

Currency is one of the most important factors for both the country, and foreign investors, foreign investors are looking for, First, countries with a stable currency, and an almost fixed exchange rate, second, countries that have a low exchange rate or in other words a bad currency. Hence, if the volatility of exchange rate in any country increases, foreign investors will not be enthusiastic to invest, because of the uncertainty, instability, and unsafe economy. According to (Trading

Economics), in 2006, the Jordanian Dinar reached the highest rate, which was 0.72, but since that time, the Jordanian Dinar stopped at 0.70, and change was slight.

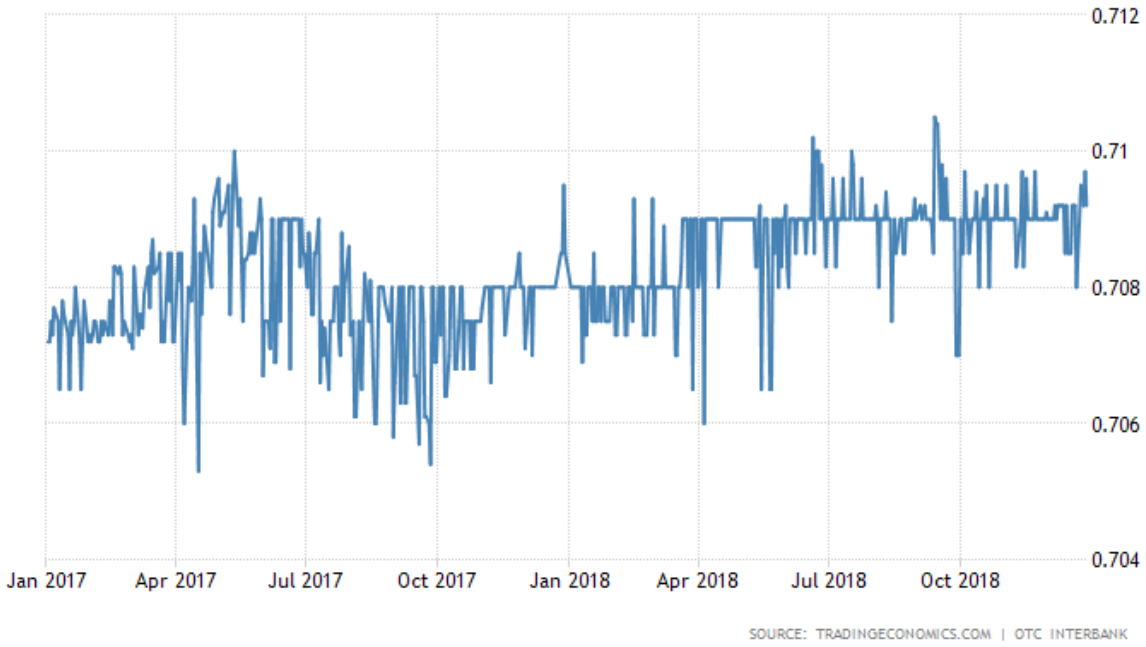



**Figure 2.8** Source: Tradingeconomies.com

### 2.7.3 Foreign Direct Investment Inflows

We talked about the Jordanian economy and the huge efforts that the government is doing, in order to create a stable, safe, and perfect place to invest. Their main challenge is the political situation of the surrounding countries, and many other challenges that may affect their attempts to protect the economy such as the lack of natural resources, importing oil from surrounding countries, and the financial deficit. On the other hand, foreign investors are investing in Jordan due to the features given to them, and the statistics showing the profits that Jordan gained. According to (ASEZ) statistics, 2001 and 2002 were the best two years for Jordan, the profits they gained from foreign investments were even above the estimated numbers, and they gained around $8 billion from investments in Aqaba plus the huge number of tourists that visited Jordan, which increased the tourism sector profits. After that a shock drop happened, (FDI) inflows decreased in a horrible way, and that was because of the war in Iraq. The economists analyzed the situation and found that

Jordan is the only welcoming country for them because of the political issues in other countries, and that means new foreign investments on the way to Jordan, which indicates that (FDI) inflows will rise. Actually that is what happened exactly, and the economists' estimations were true, when the 600,000 Iraqi refugees came to Jordan in 2004, the Jordanian economy has improved dramatically, and the (FDI) inflows started to rise as the expectations. The (FDI) inflows reached the peak in 2008, and the amount of these inflows was 1.376 billion JOD and started to receive real advantages such as new technologies, raising the economic growth, and the transfer of skilled people.

## 2.8 The Financial Performance of the Banking Sector in Jordan

### 2.8.1 The History of Banks

The system of banks started in Jordan in 1925, and the government that time did not put regulations on them, which means there was no central bank that time. The situation remained the same until 1934, and in this year, the Arab Bank opened a branch in Amman, which was the subsidiary for the Parent Branch in Palestine, but after 15 years, the Amman Branch became the Parent Branch or in other words, the Head office for the Arab Bank Group. In addition, in 1995 and 1996, many banks took the same path of the Arab Bank such as Jordan National Bank, Cairo- Amman Bank, and the Bank of Jordan, but before all these banks opened, a foreign bank opened in 1949, which was called the British Bank. We must mention the financial crisis that happened in 1989, which affected the Jordanian banking sector in a bad way and some banks declared bankruptcy, after that the government took some crucial decisions in order to improve the bad situation that happened. One of these decisions was to rebuild the banking sector or in other words restructure it. This involved the banks into a program, which is called the Economic Adjustment Program (EAP). The purposes for the (EAP) program are, stopping the privileges that were allowed in the past, reducing the restrictions on foreign banks or ownership and that is to attract them to the market, and finally un-limiting the acceptable interest rate ceiling. In 1999, when King Hussein died and King Abdullah II came to throne, a lot of changes happened in the government, institutions and central bank, in order to enhance and develop the Jordanian economy. The statistics made by the central bank of Jordan proved that Jordan is constantly evolving, the results showed that the growing

percentage of the financial institutions was 11.4%, and the number of these institutions increased from 140,000 in 1999 to 166,000, moreover, the central bank of Jordan showed the number of agreements that King Abdullah concluded with foreign countries such as Canada, U.S.A. and U.K, in order to exchange cultures, technology and investments. All of these statistics indicate that the Jordanian economy is constantly evolving, and one of the main reasons for that is banks, the banking sector is affecting the economy in a huge and positive way too.

### 2.8.2 The Central Bank of Jordan

Central banks exist in every country in the world and considered as a governmental institution, one of the purposes for these banks, are the issuance of policies, regulations, and restrictions that can impose control and supervise banks. Moreover, it is the government bank, in other words, they provide the government and the governmental institutions with the banking services they need. The Jordanian central bank is considered as the main governmental institution in Jordan, and it is responsible for the Jordanian economy because of its importance and authority in the country. At the end of the 1950s, the government established the central bank, and they tried as much as they can to develop this institution to regulate banks, economy and issuing money. Hence, after 10 years, in 1960, the Jordanian central bank started to work, but the official date on which the central bank finished the preparation and started actual work was in 1965. Like any central bank in the world, the central bank of Jordan mocked all the efforts to protect the Jordanian Dinar (JD) by maintaining the stability of the economy, also, increased the economic growth of Jordan. After they achieved the economy stability, they started to put the policies and regulations in order to control the banks and financial institutions more, one of the most important policies, which deserves to be mentioned, is the Monetary Policy, which is the governmental plans to manage the rates of interest, money supply, and the growth of the economy. Jordan central bank considered this policy as one of the long-term plans to develop Jordan; the application of this policy has been done through two levels, the first one, started when the central bank of Jordan decided to involve in everything, in other words, managing the economy of Jordan, this level started in 1964 and finished in 1989, the second level started in 1990 but is not over yet, this level affected Jordan in a strong positive way, the central bank started this level by strengthening the relationships and connections with the:

1) International Monetary Fund (IMF), which is an international organization that aims to help poor countries, unstable economies, and to eliminate the poverty around the world, in order to create a stable, safe and secure economies.

2) World Bank (WB), is one of the biggest financial institutions in the world, which lends countries to finance their investments in order to help them and raise their economies. Jordan and World Bank worked together on a program called (EAP) and the main result for this program was reducing some of the regulations and restrictions to attract foreign investors, which would lead the domestic companies to work more because of their place in the market.

These two levels helped the Jordanian economy in a brilliant way, reducing the regulations was the best step the central bank took, first, detain 80% of the reserves by the central bank, second, in 1997 they removed the restrictions on foreign currency trade and foreign capital, third, they did not put any restrictions on the foreign exchange market for banks, in other words, the trading between banks in Jordan. After the application of these decisions, Jordan started to feel the results in its economy; in 1989 the paid-up capital for both the foreign and domestic banks became greater in a dramatic way to reach $28.25 m, $14.12 m, respectively. In addition, total assets and total deposits, for the domestic banks increased in a huge way, which led to an economic boom in Jordan (ROSC, 2012).

### 2.8.3 Bank Performance (Bank Profitability)

The definition of performance is known as the measurement of assets and the process of generating revenues in a specific period, one of the ways to study the status of the market and firms are analyzing the performance. There are two ways to know the status of the firm; first, we can compare the performance of the firm with other firms in the market, second, we can compare the current results for the company with the previous ones. The two methods help the management to take decisions that will lead them to avoid the risks and raise their profits. In addition, the managers and stakeholders are using some ratios to calculate the actual numbers for Liquidity, Profitability,

and Return on Assets (RAO) in order to determine the firm's productivity, planning, and effectiveness, in other words, we can say that these ratios are indications for the efficiency of the firm. Banks are using these ratios for the same reason we talked about, but they are focusing on certain ratios because of the nature of their work, for instance, we know that one of the main goals for any company is to achieve profits, and the ability to increase them. This is related to the measurement of performance; hence, we can calculate the efficiency of performance and the capability of the firm to induce profits through the Profitability Ratios. We can classify the profitability ratios into two main groups, first, the ratios that are related to the capability of the firm to convert sales to profit such as the Cash Flow Margin, Operating Expense Ratio and Gross Margin Ratios, all these ratios are called the Margin Ratios. Second, the ratios related to profits that will go to stakeholders at the end, such as Return on Assets (ROA), which means the profits that have been generated from Assets, Return on Equity (ROE) which is the percentage of the capital that has been invested in Equity and Return on Capital Employed, etc, and we call these ratios the Return Ratios. All of the ratios under these two categories are used to achieve the same goal, which is measuring the performance of the firm. We mentioned earlier the foreign investments effect on the banking sector, and there are many advantages, disadvantages, and determinants for foreign investments on the performance of banks. However, we must allude to one important concern for banks which is when foreign investors buy a large share in domestic banks in order to be able to vote. Their votes will create some fears for the Board of Directors and that will be expanded to the economy as a whole.

### 2.8.4 Jordanian Banking Sector

In considering the Financial Crisis that happened throughout history, we can notice that the banking sector was one of the main reasons for the failure of economies, which indicates to us the importance of the role that banks are playing, and the relationship between the banking sector and the growth of economies. Jordan location is considered crucial and strategic at the same time. In addition, with all the political and economic issues in the area, they are facing all the problems rationally and with all the efforts they have, also, the banking sector is doing a great job to protect the Jordanian economy against the financial issues that are coming from outside. The banking sector in Jordan is considered as the most sensitive and important sector, especially when banks showed a strong character in difficult times. There are many types of banks in the world but in

Jordan, there are two main types, the first one is banks that depend on Islamic rules, which means they manage their work according to Islamic rules such as preventing investment in forbidden industries from an Islamic perspective. The second one is the Depository Financial Institution that contains all kinds of banks such as the savings banks, commercial banks, and credit unions, these banks are popular in the United States, but in Jordan, the commercial banks are strongly diffuse. One of the main services these banks provide are giving the money related administrations to the overall population and to governments in return for income. Business banks lend cash to clients after that, they impose an interest to pay after a certain period and there could be a rise in this interest rate if clients do not pay on time. The United States and Europe banks development were attested by the banks in Jordan, helping them in noticing the new technologies and services which would help them in developing, improving and keeping up to date with the economic evolution throughout the world. One of these technologies was the E-banking, which helped clients to facilitate the banks transactions. In addition, after the Basel II was conducted, Jordanian banks adopted new laws that are related to the banking sectors, the new laws and regulations urged new requirements that must be applied to the capital, also, these regulations have contributed to anti-money laundering, controlling banks and corporate governance (Bdour and Alkhoury, 2008). For your information; the Basel II is a conference that happened in Basel, and the members of this conference have summarized the banking regulations and laws to make them universal.

### 2.8.5 Return on Assets (ROA)

As we said earlier, one of the profitability ratios specifically under the Return Ratios group, is the Return on Assets (ROA), which means the percentage of generating the profit for one dollar, this ratio is considered one of the most important ratios for any company, because it helps managers and stakeholders in the process of decision-making. In addition, the Return on Assets (ROA) ratio gives them the ability to evaluate the situation of the firm in comparison with previous years or in the market with competitors. For example, this ratio can help the management to decide if they must bring some new systems because of the weakness of the current systems or not. We know that the

banking sector is different from other sectors; even their Accounting process is different, and as a proof for that, the items in the statement of financial position are recorded by the market value or their predictions for it, hence, the measurement of the Return on Assets (ROA) results about the efficiency of the work. It might be noted that if a bank has high leverage, then the difference between the (ROE), (which is the Return on Equity) and the (ROA) will be huge. The calculation of the Return on Assets (ROA) is easy, and as I said before, it depends on financial statements, the numerator of the (R.O.A) equation is the income after that interest and tax, for the denominator, it's the pecuniary resources, which means the Total of the Assets, then we must multiply the result by 100% to get the percentage of (R.O.A).

1) One of the major accounting principles is the equation:

$$\textbf{Total Assets} = \textbf{Total Liabilties} + \textbf{Owners Equity}$$

2) We can see the Normal equation of the Return on Assets (ROA) as follows:

$$\text{Return on Assets (ROA)} = \frac{\text{Net Earnings (N. I.)}}{\text{Total Assets}} * 100\%$$

It can be observed from equation number (1) that Owners' Equity and Total Liabilities are related to Total Assets; hence, both of them are used to finance the firm, and that will lead us to Total Assets, which can finance the company too by equity or debt. Some of the previous studies and theories suggested that we must add the Interest Expenses to the calculation of Return on Assets (R.O.A); because investors will ignore the costs of obtaining the assets by putting more Interest Expense, in another way, the elimination of the debt effect will be possible through adding the borrowing value to the total earnings.

We can see here how the equation will be after adding the Interest Expense:

$$\mathbf{ROA} = \frac{(\mathbf{Net\ Earnings\ (N.I)} + \mathbf{Interest\ Expense})}{\mathbf{The\ Average\ of\ the\ Total\ Assets}}$$

The knowledge about the efficiency of the company and where the imbalance in it is, is considered as one of the major reasons why all the managers and stakeholders are interested in calculating the (ROA), hence, the highest the Return on Assets (ROA) is, the more efficient the company is, hence, their capability to change the assets into money cash will be high too.

**Why was ROA used in our Study?**

Return on Assets is considered as one of the most important indicators for the profitability of banks, which means one of the tools to measure the performance, using the rest of the profitability ratios measuring the performance too but from another perspective such as the Return on Investments (ROI), Return on Equity (ROE) and the Debt leverage. On the other hand, the Return on Assets (ROE) measures the effectiveness of performance from another significant perspective, which is the Assets perspective and this is considered as one of the main perspectives that stakeholders and managers are looking for because of its sensitivity. Return on Assets (ROA) helps the management in taking crucial decisions. All stakeholders need to know the capital breakdown and the types of investments, the Return on Assets (ROA) percentage can help stakeholders to know the answer of all their questions because as we said earlier this ratio studies the relationship between Assets and Capital, hence the highest the (ROA), the best the performance is.

### 2.8.6 Bank Size (BS)

We know that total assets can measure the size of any institution, and there is no specific ratio to measure the bank size, but we can calculate it through the ratio of Return on Assets. The size of banks plays a huge role in determining the performance of banks and attracting clients whether they are local or foreign, both of them want to do business with large banks and will not look at small ones. In addition, large banks will provide special services for clients such as the online banking, the attractive offers they have, and finally, they will invest their money in guaranteed

projects with low risk, which is considered as the main special service these banks offer. On the other hand, the main reason why banks took the path of increasing their size was bank profitability, which means the efficiency of their financial performance, the relationship between bank size and financial performance is positive, and they are related to each other in a strong way, and when bank size increases, performance will be more efficient. Some previous studies pointed out that the financial performance of small banks can be better sometimes than that of the large ones, because of the large number of relationships, and the connections they make with local businessmen, especially that large banks focus on foreign ownership and outside investments more than local ones. In the end, we can say that bank size affects the financial performance of banks in a positive way, and this factor plays a huge role in the process of attracting foreign investments.

### 2.8.7 Bank Deposits (BD)

When we want to save our money in a safe place we deposit it in the banks, and the moment the depositor deposits the money, the banks will have the right to use the money, and this money will be considered as a cash flow for the bank, or in other words, an asset for the banks, on the other hand, the depositor has the right to withdraw the money anytime. When the depositor deposit the money and can withdraw it on demand, that called a **current account**, but when there is an interest on the deposits, this account will be a **saving account** and the depositor may incur a fee if he did not pay at the specific date, the third type is a combination between these two accounts, and that because the depositors can withdraw the money easily and at the same time, they will earn an interest on their deposits, this type of accounts called the **call deposit accounts,** there are many types of accounts, but the mentioned accounts are the most important types. The bank's deposits are one of the factors that can affect the bank's profitability, and the relationship between them is strongly positive, more deposits means more profits and that will increase the bank profitability, but a lower level of deposits will decrease the profitability because there will be a lower level of profits too.

## 2.9 Literature Overview

This part reviews the preceding studies which are associated with this study. The first section presents an evaluation of studies that were carried out in developed markets. The second section offers studies performed in emerging markets. The last section provides the sum up of the chapter.

### 2.9.1 Review of Empirical studies

Enisan (2015) studied the inflows of (FDI) in Nigeria and detected the direction of these inflows, the main purpose of this study was analyzing the foreign investments determinants. Like anything else in the world, foreign investments (FDI) have some determinants that can affect foreign investors, which means foreign investors will avoid investing in domestic countries with political risk, when the political situation is not stable in a country, foreign investors will not be enthusiastic to invest in it. In addition, he looked at the relationship between the (GDP), which represents the Economic Growth, and (FDI). He used a quarterly data for the period of (2006-2012) and analyzed it through the Markov-Regime Model (MSM), which is one of the famous models to check if there is any change in the level of the dependent and independent variables. Hence, he concluded that the most important determinants for foreign investments are Inflation, bad diplomatic situation, and change in exchange rate.

Yadav (2018) Focused on the financial situation in India, and on the people that consider the foreign investments as a fundamental thing in the monetary advancement, the sample relied on the influx money that is entering India, and he decided to take the period between (2001 until 2014). He wanted to study the effect of foreign direct investments (FDI) on the Gross Domestic Product (GDP) and according to many of the previous studies results, this relationship is strongly positive. At the end of his study, he showed that the relationship between foreign investments and the gross domestic product in India is interesting because of the shocking role foreign investments played and are still playing in India. In addition, this study is similar to previous studies, which make us sure that attracting (F.D.I) is like attracting money to domestic countries and that a significant role is played by foreign direct investments (FDI) in the international renaissance.

Khrawish and Siam (2010) they wanted to determine the FDI determinants in Jordan, and the consequences of these investments on the economy, they selected a period from (1997 to 2007) to analyze, using the Multiple Linear Regression Model. Hence, they found a positive relationship between foreign investments and the growth of the economy, this study recommended Jordan to attract more foreign investments, and to provide the facilities to foreign investors in order to invest more.

Emudainohwo (2018) focused on determining the effect of foreign direct investments in Nigeria and other African countries, which is called the Sub-Saharan Setting utilizing both quantitative and subjective methodologies. By the quantitative methodology, he investigated the impacts of organizations on FDI utilizing two measurable strategies accepted cointegration relapse (CCR) and completely changed conventional slightest square (FMOLS) and the sample used refers to the period from (1984-2012). His conclusion was related to the bad diplomatic situation in this area, which means high political risk, in this case, foreigners will be discouraged to invest. On the other hand, he found that the strategies issued by the government are attracting (FDI) and the inflows of it are high.

Lee and Wang (2018) they focused on the foreign direct investments effect on the banking sector in China and how these investments are related to the development of the economy. One of their results was related to the relationship between these investments and the banking sector in China, and this relationship was strongly positive according to their analysis. In addition, they found that a long run connection between the performance of banks, Exchange rate, and the inflow that comes from foreign investments, they got all of these results through the tests they did such as unit root test, cointegration analysis, and the main model was the OLS, which is the (Ordinary Least Squares). Also, they used a data for the period of (2002 to 2013) and it was on a monthly basis and the total of observations was 142, which was collected from the National Bureau Statistics of China, Bank of China, and the International Monetary Fund.

Musah and Gakpetor (2018) both of them studied the relationship between the Economic Growth and (FDI) in Ghana. They wanted to look at the benefits that foreign investments provide to develop the economy and specifically the commercial banks; they did that, by using a data from (2006 to 2015) for 21 banks, which are the most important banks in Ghana. After using the panel regression model, which was developed for the first time by both (Kuznetsova and Muravyev) in 2001, as the main model to analyze the relationship between the bank profitability, which represent the bank performance and foreign direct investments. They concluded that the inflows of foreign investments are affecting the Economic Growth positively in both the short and long run, and they recommended to the government of Ghana to increase these inflows and to protect foreign investors in any way they can. Moreover, they used Return on Assets (ROA) to represent the profitability of banks, FDI inflows and the inflation rate to run the panel regression model.

Yaseen (2014) she focused on the nature of the relationship between foreign investments and the economic growth in Jordan, and the advantages, disadvantages and the purpose of these investments, taking into her consideration the efforts the Jordanian government made in order to attract these investments. In addition, she defined the FDI and analyzed the extent of need to foreign investments in Jordan and what the consequences of these investments were on economic growth. The Ordinary Least Squares (OLS) is used in order to analyze the time series data from

(IMF) and (WB) and cover the period of (1990 to 2012). After analyzing this data, the results indicate a positive effect from foreign investors on Jordan, and the huge role they played in developing the economic growth and reducing unemployment in Jordan.

Adeniyi and Omisakin (2012) They looked at the (FDI) inflows effect on the developing countries Economic Growth, and the nature of this relationship. They supported this relationship and their results indicated a strong relationship between the two variables, they mentioned the benefits of (FDI), and how some countries are depending on these investments as one of the most important sources for income. In addition, the empirical studies supported the theoretical part and the previous studies about the huge effect of foreign investments on developing countries' economies. That was after analyzing the data of (FDI) inflows and (GDP) for the year 2007, which represent the Economic Growth, from World Bank website, using the cointegration approach or in other words the (VEC) model of calculating. At the end of their study, they concluded that the increase of (FDI) inflows in most of the developing countries would lead to an increase in the performance of their economies, which means a higher Economic Growth (EG).

Kirikkaleli (2013) investigated about the effect of foreign banks and companies and the big role they played in raising the economy of Turkey, and the relationship between the Risks in the country and the (FDI). He selected Turkey as one of the most developing countries in the region, and because of the huge efforts they are spending on the development process. In addition, he selected the data quarterly for the period of (1994 to 2009) and used the (VAR) as the main model for this study. One of the most important results he concluded was the negative relationship between the two variables, which means that the huge risks that happened in Turkey, were due to foreign companies and banks, and they recommended that Turkey controls this type of investments. On the other hand, he tried to investigate about the foreign portfolio investments and how they are related to the (DFDI) and he found that these two variables are one of the reasons for the evolution that happened in Turkey.

Adigwe and Okaro (2018) both of them focused on the relationship between the performance of banks in Nigeria and foreign investments, they mentioned in their study that this relationship is not clear in Nigeria, due to the previous studies related to this topic. In addition, to know the nature of this relationship, they used some variables from a new perspective, which is different from the previous studies perspective. Hence, their methodology depends on a secondary data, which was collected from the Nigerian central bank for the period of (1997 to 2015) and they analyzed this data through the (ARDL and OLS) models, which are the most famous models in econometrics to study data. Moreover, the dependent variable of their model was the foreign investments, but the independent variables were different as I said earlier, which were loans, exchange rates, and all the banking sector in Nigeria. After analyzing the data using the model we talked about, they found that the relationship between Exchange rate, Banking sector and foreign investments is strongly positive. On the other hand, there is no relationship between advances and loans. At the end of their study, they recommended the Nigerian government to increase the control on (FDI) inflows and detect them through all the sectors in Nigeria.

Sasmaz and Gumus (2018) They focused in their study on the effect of foreign investments on the banking sector in Turkey, to see the effect that happened in the economy as a whole, which means the role of banking sector in the development process of the Turkish economy after being affected by the (FDI) inflows. In addition, they selected the data which was obtained from the Turkish central bank and World Bank website, for the period of (1960 to 2017) after that they analyzed this data using the Autoregressive Distributed Lag (ARDL), which is one of the famous models in econometrics. At the end of analyzing the selected data their results, were related to the relationship between the performance of banks and foreign investments inflows, and these results mentioned the strongly positive relationship between these two variables. Moreover, the huge effect that this type of investment can make on the economic growth as a whole, and especially in developing countries. But I must refer to the unit root test in this study, because it is unlike the other previous studies, they used a test called Zivot-Andrews, which is a unit root test to check the stationarity of the data such as in the Phillips Perron (PP) test or the Augmented Dicky Fuller (ADF).

Najaf (2015) he wanted to find the effect of terrorism on foreign investments, and how foreign investors are taking into their consideration terrorism, when they want to invest in Jordan. He used

the Co-integration because they could not apply the OLS on this study due to the data they have, hence, he used this model to analyze the data that covers the period of (1996 to 2014). On the other hand, he found that terrorism is affecting foreign Investments and foreign investors in particular, in a strong negative way due to the fear the investors feel. Foreign investors think that they should not invest in Jordan because it is an Arab country which means it is sensitive for these things, also, the results showed that the location of Jordan is problematic, because of the diplomatic situation Jordan neighbors are living in, which means a high percentage of political risk.

Buckley (2005) studied (FDI) in China and the main question on his mind was "what is the determinants of Chinese Outward foreign direct investment?", was the first hypothetically based exact investigation of the marvel. He used disguise hypothesis to clarify the internationalization of Chinese state-claimed endeavors. This paper demonstrated that we had neglected to make adequately difficult inquiries about the impacts of home nation organizations on outward outside direct venture (OFDI). This Retrospective expands on the broad ensuing exploration to demonstrate the significance of setting in developing tasteful hypothetical clarifications of OFDI. Expanding on these establishments, we propose to investigate difficulties for the following decade on Chinese OFDI that rise above the Chinese setting and have more extensive hypothetical materialness. Inspecting elective types of social and financial association permits the making of exceptional hypotheses of outside direct speculation settled inside the general hypothesis. Following such a methodology would empower International Business research to make a commitment over the sociologies.

Alalaya and Khattab (2015) both of them analyzed the banks in Jordan; they wanted to study the performance of these banks using the profitability ratios. The used one of the main ratios to measure the profitability of banks, which is the Return on Assets (ROA), they collected the data of the commercial banks for the period of (2002 to 2014) from the Central Bank of Jordan, and they selected three different models for this study, taking the (ROA) as the independent variable for the three of them in order to check the bank's profitability. The first one, they took the (ROE), banks size, and stability of the banks as the independent variables, but in the second model, they

used the (ROE) and (CIRT) as the independent variables, finally, the third model used the log of the independent variables, so they took the log of the (GDP), interest and the (ROC). At the end, they found that the first and second models, all of the independent variables had a positive relationship with (ROA), which means a positive effect on the performance of the banks in Jordan. On the other hand, the log of the independent variables led to a negative effect on the profitability (ROA).

Nguyen and Vinh (2014) both of them focused on how the Bilateral Investment Treaties affect the income that comes from (F.D.I) in Vietnam. .One of their findings, and the most important one, is that the relationship between the (FDI) inflows and the BITs is strongly positive and BITs is helping Vietnam in attracting this type of investments and they depend on it as one of the main sources of income in their countries, moreover, they found that the national treatment in these BITs is forcing the foreign investors to execute the inflows that come from foreign investments in Vietnam. At the end of this study, they mentioned the bad diplomatic situations how it is playing a huge role in discouraging the foreign investors. We must mention that they collected 57 BIT as a sample of their study.

Gashaw (2014) focused on the (BFDI), which means the Banking foreign direct investments; this type of investments appeared when the domestic banks decide to invest outside the country. He selected his sample depending on some factors such as the bank size, the ratio of profit margin and the banks with low assets, this sample contained 1173 banks from all over the world (108 countries) for the period of (2000 to 2008), he mentioned that his data was considered as unbalanced data too. Using the three-way error component model (ECM) and dividing his plan to measure the variables into 3 ways, which is calculation of the bank sales, bank assets, and the earnings before interest and tax (EBIT), he found that the supply of credits increased, because of the participation of foreign Banks (BFDI). In addition, another positive effect affects the assets and the performance of the banks in general.

Simmons and Hicken (2018) studied the investigations of outside direct venture's (FDI's) determinants that center around irreversibility as the primary wellspring of governments' believability issues. Here, we feature an underexplored wellspring of time-irregularity quandaries: geographic agglomeration inside a nation. FDI's propensity to agglomerate makes obvious imbalances in the nation and creates requests for geographic pay redistribution. Unchecked, such redistributive weights can discourage speculators from entering the nation inside and out. Not every single political framework is similarly defenseless, in any case. Nations with regionalized party frameworks are moderately ugly to financial specialists since regionalism builds the likelihood that speculation comes back from one district will be appropriated by the national government and utilized for geographic-based pay redistribution. Nations with national gatherings, notwithstanding, are less inclined to participate in such conduct. In this manner, we anticipate higher FDI inflows in nations with nationalized party frameworks and lower inflows in nations portrayed by local gatherings. Proof from popular governments somewhere in the range of 1975 and 2007 backings our contention and its placed causal components.

Yen Li Chee (2010) he looked at the stability of the Economic Growth (EG) and found that it is important before attracting foreign investments. He is convinced that one of the conditions to start the process of developing countries is the level of Economic Growth (EG). The data selected was a panel data from (1996 to 2005) and contains a 44 country Asia and Oceania; he got this data from United Nations (UN) Statistics Division, and because it is a panel data, he used the RE-estimator, FE-estimator and the FEGLS regression. In addition, the empirical results showed that if the level of the Economic Growth (EG) were high, the process of development would be much better and faster than the low level of Economic Growth (EG). On the other hand, the RE Estimator suggest that this relationship is negative, otherwise the relationship between the foreign investments the economic growth, was strongly positive due to FREGLS regression, they recommend these countries to control these investments and try not to increase this type of investments to protect the economic growth and the economy as whole.

Reddy (2014) he focused on the positive effect on the Indian economy due to foreign investments, and how India considers this type of investment as one of the main sources of income. In addition, he explained the nature of the relationship between foreign investments and economic growth, and the advantages of FDI such as transferring the technology, skills and reducing the unemployment**.** This paper investigated the FDI inflows for the period of (2000 to 2013), and there is no specific source for her data, he took it from the articles, magazine and thesis, even his analyses, he used simple equations such as averages, charts and schedules to analyze this data. At the end of his study, he mentioned the findings of his study, he found that India is considered the third destination for foreign investors after the U.S and Canada, also, he found that these investments are playing a huge role in the banking sector by developing the management of the banks, the skills of employees, and finally the stability of banks.

Buettner and Overesch (2018) investigated the impacts of one-sided assess arrangements made for confining multinationals' duty anticipating remote direct speculation (FDI). Utilizing a novel dataset, which enables us to watch the overall exercises of an extensive board of global firms, we test how impediments of premium expense deductibility, purported thin-capitalization tenets, and directions of exchange estimating by the host nation influence venture and work of outside backups. The outcomes demonstrate that presenting a run of the mill thin-capitalization standard or making it all the tighter applies noteworthy antagonistic impacts on FDI and work in high-assess nations. Besides, in nations that force thin-capitalization leads, the duty rate affectability of FDI is expanded. Directions of exchange estimating, in any case, are not found to apply noteworthy consequences for FDI or work.

Kim (2015) aimed to give a more nuanced perspective of the connection between corporate social obligation (CSR) and firm monetary execution utilizing a focused activity point of view. He contended that focused activity ought to be considered as an imperative possibility that decides the impacts of CSR exercises on firm monetary execution. Utilizing information for 113 firms freely recorded in Indonesian for the period of (2012 to 2015), he found that socially dependable exercises (positive CSR) upgrade firm budgetary execution when the association's focused activity

level is high, though socially untrustworthy exercises (negative CSR) really enhance firm money related execution when the aggressive activity level is low. By presenting focused activity as an essential possibility, this investigation adds to the writing on CSR and vital administration.

Noland (2018) Cross-country proof demonstrates that Japan has minimal internal outside direct venture (FDI), even in the wake of considering its size and geological or social separation from potential financial specialists. A reasonable experimental appraisal of the effect of Abenomics, which is a regulation that Shinzo Abe put in 2012 and these regulations are related to economics, on Japan's capacity to draw in internal FDI, and, by augmentation, increment the country's rate of financial development. Hoshi achieves an incredulous end with respect to whether Abenomics has added to expanding internal FDI. The Abenomics target objective for FDI might be accomplished, yet as indicated by Hoshi's examination, the objective has been set too low and its accomplishment does not require any positive effect of Abenomics strategies. That doubt likely could be defended. In any case, before tolerating this end it might be worth mentioning the straightforward objective fact that deficient time may have passed for the impacts of Abenomics to show. The approach activity was first declared in 2013; however, a portion of the measures talked about in the present paper was presented as of late as May 2016. It is conceivable that Abenomics will in the long run work as planned, however it is simply too soon to tell.

Humanicki (2018) talked about the remote direct endeavor (FDI) and outside portfolio theory (FPI) and mentioned that this relationship considered the specific and free kinds of overall capital streams; anyway, in the globalized world, there are inspirations to see them as interconnected miracles. This paper explores the basic association between F. Investments and F.P.I, which is the Foreign Portfolio, the purpose of this study is to know whether they supplement or substitute for one another from an outside theorist's viewpoint. The paper portrays the central characteristics of FDI and FPI to the extent a tradeoff between their flimsiness and productivity. Additionally, it gives a composition review on the determinants of these two sorts of remote endeavor. Finally, the examination researches the long run and short-run associations among FDI and FPI running VECM backslide on data for Poland. The examination recommends that these two kinds of outside theory are substitutes. To be more specific, in monetarily stable periods FDI tends to run over FPI, anyway in the midst of shortcoming and fiscal wretchedness, both in source and host countries, FPI starts to get essentialness.

Jude and Levieuge (2013) they aimed to study the effect of foreign direct investment (FDI) on the Economic Growth (EG), and the quality needed to benefit from foreign investments, which means the level of the economy that must be achieved to gain profits through these investments. In their point of view, there is a level for the economy as we said, and in any country, which is under this level, the relationship between the two variables will be negative, but if the country is above it, the foreign investments will help the performance of the economy to be efficient. Like other studies, they used a time series data for the period of (1984 to 2009) for 94 randomly developing countries. But the unique thing in this study is that they used the (PSTR) model or Panel Smooth Transition Regression, this model helped them in determining the quality of the Economic Growth (EG) and the minimum level for it. In addition, the result obtained, was that improving the performance of firms will lead to increasing foreign investments, which means a higher Economic Growth (EG), in other words, before attracting more foreign investments, they must start improving their domestic companies first.

Al-Khouri (2015) Aimed to study the variables that have an impact on the remote direct venture (F.D.I) and outside portfolio speculation (F.P.I) streams and he focused his study on the period from (1984-2012), for 16 countries from MENA Area. At the end of his study, he concludes that the (F.P.I) percentage must be lower than this and the acceptance level in this area is increasing. On the other hand, the new projects that have arrived and the capitalization of the securities exchange are affected by the (F.P.I). In addition, the government has a negative effect on the Foreign Portfolio Investments.

### 2.9.2 Summary of the Literature

**Table (2.1):** Summary of Literature Review.

| Studies Conducted in Developed Markets | | | | |
|---|---|---|---|---|
| **Author** | **The Aim of the Study** | **Data and Country** | **Methodology** | **Results** |
| **Enisan (2015)** | The main purpose of this study was detecting the foreign investment determinants | Nigeria<br><br>Data for period (2006-2012 until 2001) | Markov-Regime Model (MSM) | The positive relationship that the capital and the energy of workers has on economic growth |
| **Yadav (2018)** | Focused on the financial situation in India, and on the people who consider foreign investments as | India<br><br>Data for period between (2000 until 2014) | Correlation Analysis | The nature of the relationship between foreign investments and the gross domestic product in India is interesting because of the shocking role foreign |

| | | | | |
|---|---|---|---|---|
| | fundamental in monetary advancement | | Regression analysis | investments played and are still playing in India |
| **Khrawish and Siam (2010)** | determined the FDI determinants in Jordan, and what the consequences of these investments are on the economy | Jordan<br><br>Data for period between (1997 until 2007) | Multiple Linear Regression Model | they found a positive relationship between foreign investments and the growth of the economy |
| **Emudainohwo (2018)** | Focused on determining the effect of foreign direct investments in Nigeria and other African countries, which is called the Sub-Saharan | Nigeria and Sub-Saharan countries<br><br>The sample used refers to the period from (1984-2012) | canonical cointegration regression (CCR)<br><br>fully modified ordinary least square (FMOLS) | The conclusions were related to the bad diplomatic situation in this area, which means high political risk, in this case, foreigners will be discouraged to invest. On the other hand, he found that the strategies issued by the government strategies are attracting (FDI) and the inflows of them are high |

| | | | | |
|---|---|---|---|---|
| **Lee and Wang (2018)** | They focused on the foreign direct investments effect on the banking sector in China and how these investments are related to the development of the economy | China<br><br>data for the period of (2002 to 2013) | Ordinary Least Squares (OLS) | This relationship was strongly positive between (FDI) and the banking sector according to their analysis. In addition, they found that a long run connection exists between the performance of banks, Exchange rate, and the inflow that comes from foreign investments |
| **Musah and Gakpetor (2018)** | Studied the relationship between Economic Growth and (FDI) in Ghana | Ghana<br><br>data from (2006 to 2015) for 21 banks | Panel regression model | The inflows of foreign investments are affecting the Economic Growth positively in both the short and long run, and they recommend to the government of Ghana to increase these inflows and to protect foreign investors in any way they can |

| | | | | |
|---|---|---|---|---|
| **Yaseen (2014)** | focused on the nature of the relationship between foreign investments and the economic growth in Jordan | Jordan<br><br>data from (1990 to 2012) | Ordinary Least Squares (OLS) | positive effect from foreign investors on Jordan, and the huge role they play in developing the economic growth and reducing unemployment in Jordan |
| **Adeniyi and Omisakin (2012)** | They looked at the (FDI) inflows effect on developing countries Economic Growth, and the nature of this relationship | Cote' d'Ivoire, Gambia, Ghana, Nigeria and Sierra Leone<br><br>2007 | Vector Error Correction (VEC) | They conclude that the increase of (FDI) inflows in most of the developing countries would lead to an increase in the performance of their economies, which means a higher Economic Growth (EG) |
| **Kirikkaleli (2013)** | Investigated about the effect of foreign banks and companies and the big role they played in raising the economy of Turkey, and the relationship between the Risks in the country and (FDI) | Turkey<br><br>Data for the period of (1994 to 2009) | Vector Auto Regression (VAR) | Negative relationship between the two variables, which means that the huge risks that happened in Turkey were due to foreign companies and banks |

| | | | | |
|---|---|---|---|---|
| | | | | |
| **Adigwe and Okaro(2018)** | Focused on the relationship between the performance of the banks in Nigeria and foreign investments | Nigeria<br><br>Data for the period of (1997 to 2015) | Auto regression distributed lag (ARDL)<br><br>Ordinary least squares (OLS) | They found that the relationship between Exchange rate, Banking sector and foreign investments is strongly positive |
| **Sasmz and Gumus (2018)** | They focused in their study on the effect of foreign investments on the banking sector in Turkey, to see the effect that happened in the economy as a whole | Turkey<br><br>Data for the period of (1960 to 2017) | Auto regression distributed lag (ARDL) | The relationship between the performance of banks and the foreign investments inflows was strongly positive |

| | | | | |
|---|---|---|---|---|
| **Najaf (2015)** | Found out the effect of terrorism on foreign investments | Jordan<br><br>Data for the period of (1996 to 2014) | Co-integration | Terrorism is affecting foreign investments and foreign investors in particular, in a strong negative way due to the fear the investors feel |
| **Buckly (2005)** | The methodologies of foreign direct investments and how (FDI) is affecting the host countries and their institutions. | China<br><br>Data for the period of (1983 to 2002) | Ordinary least squares (OLS) | He failed to ask sufficiently challenging questions about the effect of the domestic institutions and foreign direct investments in this paper. |
| **Alalaya and Khattab (2015)** | Studied the performance of banks using the profitability ratios | Jordan<br><br>Data for the period of (2002 to 2014) | Ordinary least squares (OLS) | They found that the first and second models, all of the independent variables had a positive relationship with (ROA), which means a positive effect on the performance of banks in Jordan. |
| **Nguyn and Vinh (2014)** | They focused on how the Bilateral Investment Treaties affect the income that comes from (F.D.I) in Vietnam | Vietnam<br><br>Data for the period of (1996 to 2005) | Simultaneous equations mode | The relationship between the (FDI) inflows and the BITs is strongly positive; moreover, they found that the national treatment in these BITs is forcing foreign investors to execute the inflows that come from foreign investments in Vietnam |
| | Focused on the (BFDI), which | | | |

| | | | | |
|---|---|---|---|---|
| **Gashaw (2014)** | means the Banking foreign direct Investments; this type of investments appeared when the domestic banks decide to invest outside the country | 1173 banks from 108 country<br><br>Data for the period of (2000 to 2008) | Three-way error component model (ECM) | He found that the supply of credits increased, because of the participation of Foreign Banks (BFDI). In addition, another positive effect affects the assets and the performance of banks in general. |
| **Simmons and Hicken (2018)** | They aimed to study the influx of money in countries with nationalized party systems and lower inflows in countries featured by regional parties. | 58 country<br><br>Data for the period of (1975 until 2007). | Cross-district coordination | They tested the countries with cross-district coordination and found that these countries are attracting a few foreign investments, and the number of investments in these countries is less than the countries with strong coordination. |
| **Yen Li Chee (2010)** | Looked at the stability of the Economic Growth (EG) and considered its important before attracting the foreign investments | Asia and Oceania<br><br>data selected was a panel data from (1996 to 2005) | RE-estimator FE-estimator FEGLS regression | If the level of the Economic Growth (EG) were high, the process of development would be much better and faster than the low level of Economic Growth (EG). The **RE Estimator** suggests that this relationship is negative, otherwise the relationship between foreign investments and economic growth, was strongly positive due to **FREGLS regression** |

| | | | | |
|---|---|---|---|---|
| **Reddy (2014)** | Focused on the positive effect made on Indian economy due to foreign investments | India<br><br>Data for the period of (2000 until 2013) | simple equations such as averages, charts and mathematical schedules | He found that these investments are playing a huge role in the banking sector, by developing the management of banks, the skills of employees, and finally the stability of banks. |
| **Buettner and Overesch (2016)** | They tested the effects of the tax provisions in countries which have strict regulations and restrictions on foreign direct investments (F.D.I). | EU countries<br><br>data selected was a panel data from (1996-2007) | Basic regression | They concluded that the strict restrictions, regulations and high taxes imposed on foreign investors, are affecting the foreign direct investments negatively, while countries that have fewer regulations and make exceptions for some of the foreign investors are affecting the process of attracting the foreign investments in a strongly positive way. |
| **Kim (2015)** | He attempted to detect the relationship between the financial performance, which can be measured by many ratios such as Return on Assets (ROA), and the Corporate Social | Indonesia<br><br>Data selected was a panel data from (2012 to 2015). | Panel least squares analysis | As many previous studies have found, a positive connection between the corporate social responsibility and the financial performance, which means that an increase in the level of (CSR) will lead to a high level of (F.P). |

| | | | | |
|---|---|---|---|---|
| | Responsibility (CSR). | | | |
| **Noland (2018)** | He made an experiment about the effect of Abenomics on Japan's capacity to draw in internal (FDI). In addition, by augmentation, increment the country's rate of financial development. | Japan<br><br>Data for the period of (2003-2016) | Simple regression model | The results of this experiment were that there is no positive effect of Abenomics strategies. |
| **Humanicki (2013)** | Talked about the remote direct endeavor (FDI) and outside portfolio theory (FPI) and mentioned that this relationship is considered as specific and free kinds of overall capital streams. | They used secondary data for all the variables. | VECM regression model | He tested the relationship between the foreign portfolio investment and foreign investments and concluded that the FDI tends to run over FPI, anyway in the midst of shortcoming and fiscal wretchedness, both in source and host countries, FPI starts to get essentialness. |

| | | | | |
|---|---|---|---|---|
| **Jude and Levieuge (2013)** | They aimed to study the effect of foreign direct investments (FDI) on Economic Growth (EG), and the quality needed to benefit from foreign investments, which means the level of the economy that must be achieved to gain profits through these investments | 94 randomly developing countries<br><br>data for the period of (1984 to 2009) | Panel Smooth Transition Regression (PSTR) | Improving the performance of firms will lead to increasing foreign investments, which means a higher Economic Growth (EG), in other words, before attracting more foreign investments, they must start improving their domestic companies first. |
| **Al-Khouri (2015)** | Aimed to study the variables that have an impact on the remote direct venture (F.D.I) and outside portfolio speculation (F.P.I) streams | MENA area<br><br>Data for the period of (1984 to 2012) | Generalized Method of moment (GMM) | The new projects that have arrived and the capitalization of the securities exchange are affected by the (F.P.I). In addition, the government has a negative effect of the Foreign Portfolio Investments. |

# CHAPTER 3
# RESEARCH METHODOLOGY

## 3.1 Research Design

This paper adopts a quantitative approach to estimate the impact of FDI on banking sector performance. Thus, the study uses secondary data for all banks that are based in Jordan, 72 observations of quarterly data from the period of 2000-2017. In addition, the data was acquired from the monthly statistical bulletin for the Central Bank of Jordan. The study thus uses econometric techniques to determine if there is causality between bank performance and FDI.

## 3.2 Unit Root Tests

This model requires that all variables must be stationary at the level or first difference or contain mixed stationarities (Engel & Granger, 1987). Augmented Dickey-Fuller and Phillips Perron tests will thus be used to check if the model variables have a unit root or not. Moreover, this model is suitable for a study with a low number of observations. Given a standard regression function:

$$\boldsymbol{\nabla yt = (P - 1)yt - 1 + \mu t}$$

Where:

$\boldsymbol{yt}$= The variable of (ROA).

$\boldsymbol{t}$= The time index.

μt = The error term.

The stationarity tests are in three forms;

- Test a unit root with a drift$\boldsymbol{\nabla yt = \alpha 0 + \delta yt - 1 + \mu t}$ .
- Test for a unit root$\boldsymbol{\nabla yt = \delta yt - 1 + \mu t}$ .

- Test a unit root with drift and deterministic time trend$\boldsymbol{\nabla yt = \alpha 0 + \alpha 1 t + \delta yt - 1 + \mu t}$ .
-

### 3.2.1 Augmented Dickey-Fuller test

The Augmented Dicky-Fuller test can be considered, as the new version of Dicky-Fuller, which was developed by both Wayne Fuller and David Dicky, it is a unit root test for detecting the stationarity of data. There are many kinds of data and all economists believe that one of the most complex kinds is the time series data, which means collecting the data items for a period of time (quarterly, monthly or annually). In addition, the main purpose of this test is to detect and analyze the time series data, which is considered one of the simplest ways for the unit root to be tested. The main hypothesis for Augmented Dicky-Fuller Test is:

H1: The data used in the study is not stationary.

H2: The data used in the study is stationary.

**Note:** The relationship between the negative figures and the stationarity of the data is strongly positive.

We can see here the equation of the (A.D.F):

$$\boldsymbol{\nabla N_Y = (D - 1)_{N_{Y-1}} + \sum_{p=1}^{R-1} N_p \nabla N_{Y-p} + \partial_Y + \mu_Y}$$

Where:

$\boldsymbol{N_Y}$= Interest Variable.

$\boldsymbol{D}$= The perimeter of the Auto-Regression.

$\boldsymbol{Y}$= The index of Time.

$\boldsymbol{\mu_Y}$= The error term.

The measure in the (A.D.F) test is the P-Value if the P-Value ≤ 5% we accept H2.

### 3.2.2 Phillips–Perron test

Perron and Peter Phillips (P.P) developed the Dicky-Fuller (D.F) unit root test; (P.P) is used for testing and detecting the stationarity of the time series data. This test is different from the (A.D.F) test by taking in, the fitting number 1, which means taking the least

numbers needed for the dissimilarity to make a Co-variance correlation. One of the main advantages for this test is the correlation level that is not specified like the (A.D.F) test, the (A.D.F) test requires to specify a level for the serial correlation but the (P.P) test is similar to the (D.F) test, it decides the level of the correlation and changes all the statistics to do both the heteroscedasticity and auto-correlation. On the other hand, one of the drawbacks of this test is the way it deals with a sample that contains small numbers as opposed to the way it deals with huge samples.

We can see here the equation of (P.P):

$$N^2_{y=\frac{1}{y-D}\sum_{t=1}^{y}\mu_t^2}$$

Where:

$\boldsymbol{D}$= The covariates in the regression. $\boldsymbol{\mu_Y}$= The error term.

### 3.3 Definition and Justification of Variables

The definition of variables provides an explanation of the model variables that were used in the study.

| Dependent Variables |
| --- |
| BP (ROA): Bank performance in this study will be taken to mean bank profitability, which is a reflection of how much profit banks have been making in relation to ROA. ROA will be used as a representative of BP. |
| Independent Variables |
| Foreign Direct investment (FDI): That FDI inflow is a source of funds that can be used by banks to provide loans to customers as well as invest in profitable projects and assets.(-) |
| Bank size (BS): An increase in bank size is usually determined by the level of assets the bank has accumulated. More assets provide banks with an ability to use those assets to generate more returns in the future. (-) |
| Bank deposits (BD): Banks that are capable of utilizing their resources are established to earn more profits and an increase in bank deposits provides banks with more funds which they can use to invest into profitable projects and assets. (+) |
| Economic Growth (EG): Economic growth provides a measure of how well the economy has been performing and the notable measure of economic growth is GDP.(+) |
| Dummy Variable (FC): One of the notable events that have had an impact on bank performance in Jordan is the financial crisis during 2008. A dummy variable FC will be assigned to capture periods which were characterized by a financial crisis using a value of 1 and a value of 0 to indicate periods which were free from incidences of a financial crisis. (-) |

### 3.4 Descriptive Statistics

Descriptive statistics were conducted for the variables at their natural levels. The results showed that a highest mean rate was recorded to the Bank Size (BS) in which JD 30,504 was racked into Jordan. On the other hand, the ROA that was recorded from March 2000 to December 2017 stood at 0.95% with a maximum value of 2.0%. High variations were observed to be in relation to the Bank Size (BS), which had a standard deviation of JD 12,541, which shows that BS has a highly responsive effect.

**Table (3.1):** Descriptive statistics at level.

| | ROA | FDI | BS | BD | EG | FC |
|---|---|---|---|---|---|---|
| **Mean** | 0.951667 | 298.9194 | 30504.22 | 14246.27 | 2234.705 | 0.083333 |
| **Median** | 0.930000 | 267.2500 | 30617.30 | 13803.75 | 2342.120 | 0.000000 |
| **Maximum** | 2.000000 | 916.8000 | 49730.80 | 26418.20 | 3156.800 | 1.000000 |
| **Minimum** | 0.300000 | 19.30000 | 11876.90 | 4742.500 | 1219.500 | 0.000000 |
| **Std. Dev.** | 0.390096 | 191.5072 | 12541.65 | 7583.508 | 554.3567 | 0.278325 |
| **Skewness** | 0.310587 | 0.775600 | 0.016410 | 0.238523 | -0.212166 | 3.015113 |
| **Kurtosis** | 2.367591 | 3.566403 | 1.581680 | 1.603947 | 1.752793 | 10.09091 |
| **Jarque-Bera** | 2.357399 | 8.181100 | 6.038125 | 6.529608 | 5.206749 | 259.9339 |
| **Probability** | 0.307679 | 0.016730 | 0.048847 | 0.038204 | 0.074023 | 0.000000 |
| **Sum** | 68.52000 | 21522.20 | 2196304. | 1025731. | 160898.8 | 6.000000 |
| **Sum Sq. Dev.** | 10.80440 | 2603925. | 1.12E+10 | 4.08E+09 | 21819103 | 5.500000 |
| **Observations** | 72 | 72 | 72 | 72 | 72 | 72 |

### 3.5 Data Sources and Methodology

The data was obtained from the monthly statistical bulletin for the Central Bank of Jordan and the data is for all banks that are in Jordan. The main benefits of using this data are that it includes all types of banks (large, small, private and public). Hence, conclusions that can be made, are a close reflection of the actual banking situation in Jordan and how it is affected by FDI policies. The data is collected from the first quarter of March 2000 to the last quarter of December 2017.

We used one of the famous models to test our variables, which is the Autoregressive Distributed Lag (A.R.D.L). This model depends on two main things; first, use of the independent variables to estimate the controlled variable, second, the estimation of the time series data in order to forecast the value of the next time step. In addition, one of the main reasons why we used this model is to detect the connection between the variables directly at the appropriate level of the controlled variables, and not be required to perform the process of pretesting of the variables

The (A.R.D.L) model for banking performance function has been formulated as follows:

**Equation (1):**

$$\Delta(ROA)_t = \beta_0 + \beta_1(ROA)_{t-1} + \beta_2(FDI)_{t-1} + \beta_3(BS)_{t-1} + \beta_4(BD)_{t-1} + \beta_5(EG)_{t-1} + \beta_6(FC)_{t-1} + \sum_{i=1}^{p}\beta_7\Delta(ROA)_{t-i}$$
$$+ \sum_{i=0}^{q1}\beta_8\Delta(FDI)_{t-i} + \sum_{i=0}^{q2}\beta_9\Delta(BS)_{t-i} + \sum_{i=0}^{q3}\beta_{10}\Delta(BD)_{t-i} + \sum_{i=0}^{q4}\beta_{11}\Delta(EG)_{t-i} + \sum_{i=0}^{q5}\beta_{12}\Delta(FC)_{t-i} + \varepsilon_{1i}.....(1)$$

where (ROA), (FDI), (BS), (BD), (EG), and (FC) Return on Assets, Foreign Direct Investment, Bank Size, Banks Deposits, Economic Growth, Financial Crisis, while Δ is the estimator for the differences at level one. Further, because of the huge observation number we have, we selected the lag depending on the (AIC).

We wanted to see if there is a long run relationship and we used the F-Test to do that, which is one of the famous tests to see the best model that suits the selected sample. F-test will tell us which one of the variables must be normalized, and when the relationship of the long run occurs, also, the statistical inference for both equations is:

H0: β1 = β2 = β3 = β4 = β5 = β6 = 0.

If the model includes variables that are I (1) or I (0), the number of controller variables will be (ii) but if it is a trend or intercept or both (trend and intercept) the model will be (iii). In addition, the F-test relies on I (1) or/and I (0), when we want to decide if we must reject the hypothesis or not; we must know the points that must be compared to the F-statics which are called the critical values. These critical values are I (1) series, which means the higher bound values and the I (0) series, which indicates the lower-level of the bound values. At the end, if F-statistics are bigger than these higher critical values, then there is a long run relationship between the variables. On the contrary, if the T-statistics are lower than the critical values, we will fail to reject the hypothesis of no cointegration existence, and the inference cannot be made without knowing the integration order of the independent variables and that can be made in one case when it lies between the bounds.

We can express the long-run relationship and the short run dynamics as follows:

**Equation (2):**

$$\Delta(ROA)_t = \beta_0 + \sum_{i=1}^{p} \beta_1 \Delta(ROA)_{t-i} + \sum_{i=0}^{q1} \beta_2 \Delta(FDI)_{t-i} + \sum_{i=0}^{q2} \beta_3 \Delta(BS)_{t-i} + \sum_{i=0}^{q3} \beta_4 \Delta(BD)_{t-i} + \sum_{i=0}^{q4} \beta_5 \Delta(EG)_{t-i} + \sum_{i=0}^{q5} \beta_6 \Delta(FC)_{t-i} + \Psi ECT_{t-1} + \varepsilon_{1i} \ldots\ldots\ldots\ldots\ldots\ldots (3)$$

We can see in **Equation (2)** the short run dynamics coefficients, which is convergence to equilibrium, and the error term is ψ.

### 3.6 Diagnostic Tests

#### 3.6.1 Normality Test

We can define the normality test as a test to determine the type of data or sample that we must select, it is related to the hypothesis of this sample, and that is using the distribution model. The measure here is the P-value, if the P-value is higher than alpha we can consider that the population is normal and we will fail to reject the hypothesis. In addition, this test is vulnerable to interpretations, and there are many methods for that, the main two methods are:

1) The sample of the population will be tested in opposition to the hypothesis and that if we used the frequentist statistics hypothesis way.

2) The idea of this method is to test the data and see how it suits the model, if it is suitable, we will fail to reject the hypothesis of the model then it will be modeled as thus, this model is called the descriptive statistics.

#### 3.6.2 Autocorrelation Test

The Autocorrelation test measures the connections between variables, which means the similar nature between them, serial correlation is the other name for this test, and the main purpose of it, is to find the patterns that have been repeated. In addition, moving average processes is one of the examples for using this test; the economists are using the autocorrelation test for specific values and series. At the end, we will fail to reject the hypothesis and it will be significant if the probability is lower than 5%.

#### 3.6.3 Heteroscedasticity test

We define heteroscedasticity as the unstable data, which means the data that is not equal at a specific period, when there is difference in the variance of epsilon, which is the error term for the population, this problem of heteroscedasticity will appear in the selected sample. The heteroscedasticity can destroy any study, especially when the study is using the regression analysis. Many tests solved the problem such as the Durbin-Watson (D.W) and breach pagan (B.P), these studies focused on reducing the heteroscedasticity by taking from the model the most values that suit the error term (epsilon). In addition, if the heteroscedasticity exists in an impartial (O.L.S) estimator, that will be disorganized because both the covariance and the variance are underrated.

# CHAPTER 4

# DATA ANALYSIS AND PRESENTATION

## 4.1 Introduction

This chapter highlights the procedure that was followed in analyzing the collected data and covers stationarity tests, bounds test, ARDL estimation and diagnostic tests that were carried out to determine if the model does not suffer from misspecifications. These procedures are discussed in detail as follows;

### 4.2 The Unit Root Tests

As we said earlier, both the (P.P) and (A.D.F) testsare aunit root tests to detect the stationarity of the data, in Table (4.1) we can see the results of these tests, which is a combined between the I (1) and I (0). In addition, we should know that the unit root test explained why the (A.R.D.L) model does not require the process of pretesting of the variables.

**Table (4.1):** Unit Root Tests.

| Variable | ADF Test Statistic | | PP Test Statistics | |
|---|---|---|---|---|
| | Level | First Difference | Level | First Difference |
| Ln BP | -3.076** | -3.474 | -3.251** | -1043498 |
| Ln FDI | -2.838* | -10.694*** | -2.581 | -11.505*** |
| Ln BS | -3.495** | -1.823 | -2.780* | -6.821*** |
| Ln BD | -1.095 | -5.937*** | -1.185 | -5.898*** |
| Ln EG | -2.395 | -24.450*** | -1.867 | -14.168*** |
| FC | -2.628* | -8.246*** | -2.791* | -8.246*** |

Note: *** significant at 1% level, ** significant at 5% level, * significant at 10% level

### 4.3 The Bound Test

In this test, we investigated about the nature of the long-run relationship between the used variables, in Table (4.2) we can see the bound critical values and the F-statistics results, and we can notice the calculated F-statistics for the independent variable (F-statistics for ROA=4.824) ≥ the bound critical value (1%)

**Table (4.2):** ARDL Bounds Test.

| Model | Value | Significance Level | Bound Critical Values | |
|---|---|---|---|---|
| | | | I(0) | I(1) |
| *BP (ROA)* | 4.824 | 1% | 3.06 | 4.15 |
| | | 5% | 2.39 | 3.38 |
| | | 10% | 2.08 | 3.00 |

### 4.4 Autoregressive Distributed Lag Model (ARDL) Cointegration Framework

We can see from Table (4.3) the error term for the performance of the banks in Jordan, and in our results the (ROA) is negative and significant at the level of 1%, also, the coefficient, which is 0.52% indicates a high rate of convergence to equilibrium which means that the speed of adjustment is 52.5%. A long-run relationship was detected among Return on Assets (ROA) and other variables except for economic growth and financial crisis.

**Table (4.3):** ARDL (3, 0, 1, 3, 4, 0) Cointegrating & Long Run Form for Banking Sector Performance.

| Cointegrating Form | | | | |
|---|---|---|---|---|
| | Coefficient | Std. Error | t-Statistic | Prob. |
| D(L_ROA(-1)) | 0.127383 | 0.088683 | 1.436380 | 0.1570 |
| D(L_ROA(-2)) | -0.445575 | 0.085594 | -5.205660 | 0.0000 |
| D(L_FDI) | -0.064164 | 0.034765 | -1.845654 | 0.0708 |
| D(L_BS) | 4.590353 | 1.498564 | 3.063168 | 0.0035 |
| D(L_BD) | 1.221764 | 0.870515 | 1.403495 | 0.1665 |
| D(L_BD(-1)) | 2.360990 | 0.922775 | 2.558574 | 0.0135 |
| D(L_BD(-2)) | 2.621332 | 0.954928 | 2.745057 | 0.0083 |
| D(L_EG) | -4.690454 | 1.082848 | -4.331591 | 0.0001 |

| | | | | |
|---|---|---|---|---|
| D(L_EG(-1)) | -2.530275 | 1.028407 | -2.460383 | 0.0173 |
| D(L_EG(-2)) | -3.665823 | 1.086622 | -3.373594 | 0.0014 |
| D(L_EG(-3)) | -3.543538 | 1.006074 | -3.522144 | 0.0009 |
| D(FC) | -0.036155 | 0.124864 | -0.289558 | 0.7733 |
| CointEq(-1) | -0.525030 | 0.084244 | -6.232223 | 0.0000 |

Cointeq = L_ROA - (-0.1381*L_FDI + 4.5688*L_BS -3.2811*L_BD -0.4876 *L_EG -0.2339*FC -11.5960 )

Long Run Coefficients

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| L_FDI | -0.138089 | 0.065964 | -2.093405 | 0.0413 |
| L_BS | 4.568770 | 1.801044 | 2.536734 | 0.0143 |
| L_BD | -3.281097 | 1.024308 | -3.203232 | 0.0023 |
| L_EG | -0.487571 | 3.012204 | -0.161865 | 0.8721 |
| FC | -0.233926 | 0.172902 | -1.352936 | 0.1820 |
| C | -11.595999 | 6.792804 | -1.707101 | 0.0939 |

| | |
|---|---|
| R-squared | 0.860160 |
| Adjusted R-squared | 0.816289 |
| F-statistic | 19.60642 |
| Prob (F-statistic) | 0.000000 |
| Durbin-Watson stat | 2.188324 |

In the short run, it can be noted that:

- The previous change in ROA in the second lag has a negative effect on ROA of (-0.445) with 1% significance level.
- FDI inflows have a negative effect on ROA (-0.064) with 10% significance level.
- BS effect on ROA positively of (+4.59) with 1% of a significance level.

- The first and second lags of the BD effect on ROA positively, the coefficients reached (2.36) and (2.62) respectively with 5% and 1% significance levels.

- EG with three lags effect on the ROA negatively (-4.69, -2.53, -3.66, -3.54) respectively. The improvements in economic performance result in negative responses by consumers toward banks who are either opting not to save with banks or borrow from banks.

- The coefficient of FC indicates that there is no relationship with ROA in the short run.

In the long run, it can be noted that a long-run relationship was detected among Return on Assets and other variables except economic growth and financial crisis:

- FDI has a negative effect (-0.13) with a significance level of 5%. In other words, the improvements in FDI inflows are causing banks to suffer from a decline in performance by -0.13 which is significant at 5%. The notable explanation suggests that the government's effort to attract and promote growth in FDI is negatively affecting banking operations and hence there is a need to reevaluate FDI inflow policies.
- BS has a positive effect (4.56) with a significance level of 5%. An increase in bank size can be seen to be causing successive increase effects on bank performance by 4.56.

- The effects of increases in bank deposits (BD) on bank performance can be said to be causing negative effects on bank profitability by (-3.28) with a significance level of 1%.

### 4.5 Diagnostic Tests

According to the Diagnostic Test, there is no autocorrelation or Heteroscedasticity, and we can see that in Table (4.4), the results of the normality test, which indicate that the errors are normally distributed.

**Table (4.4):** Residual Diagnostic Tests.

| Model | Residual Heteroscedasticity Test | | Residual Autocorrelation LM Test | | Residual Normality Test | |
|---|---|---|---|---|---|---|
| | F-statistic | Prob. | F-statistic | Prob. | Jarque-Bera | Prob. |
| BP (ROA) | 0.972 | 0.499 | 0.561 | 0.574 | 4.964 | 0.083 |

### 4.6 Stability Tests

CUSUM test was used to check if the model is stable. The results are shown in figure (4.1). It can be seen that the estimated model stays within the required boundaries and hence we can say that the model is stable and it can include reliable explanations.

As CUSUM statistics stay within critical bounds at 5 percent level of significance, so it is an indication of the long run estimates of the banking performance function during the period 2000:Q1-2017:Q4. The result of the CUSUM test shows the stability of the banking performance function.

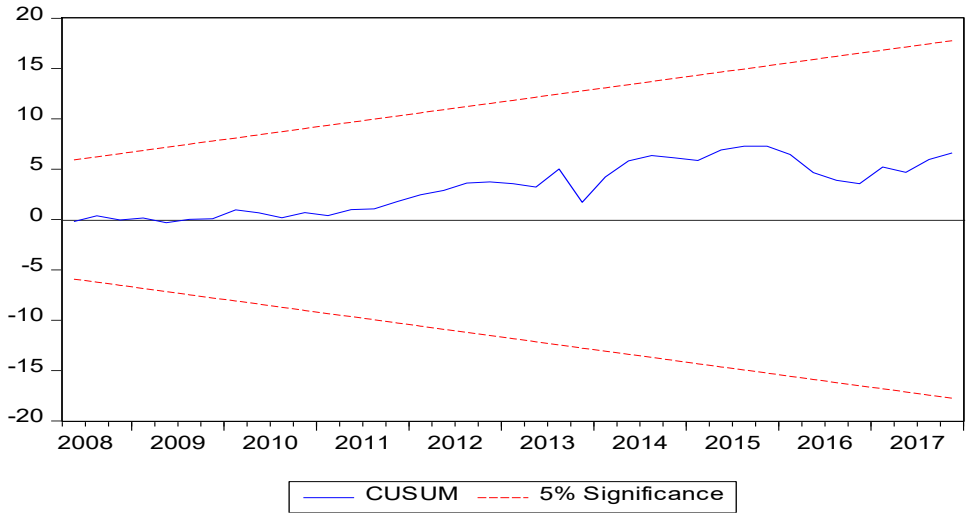



**Figure 4.1**

# Chapter 5

# Conclusion and Recommendations

## 5.1 Introduction

We studied in this thesis the effect of foreign investments on one of the most important sectors in any economy, specifically in Jordan, which is the banking sector, and how these investments can develop the performance of banks. Many arguments appeared in the past decades talking about the effect of foreign direct investment on economies. After these arguments, two ways of thinking have risen, foreign investments supporters and opponents. The foreign investment supporters believe that this type of investment is important for all sectors including the banking sector, and they are calling the governments to promote foreign investments and to attract them in all possible ways. On the other hand, opponents of this view consider foreign investments as wasted effort and costs for governments and they urge states not to bring this type of investments. However, most of the previous studies agree on the idea of attracting foreign investments because of the huge role

that these investments play. Under other conditions and after the financial crisis and the spread of poverty, the affected countries tried to find a solution for their problem, and one of the solutions was to convince outside investors to invest in their countries. In addition, they put all their efforts to attract foreign investors after recognizing the advantages of (FDI) such as the job opportunities that (FDI) provides which reduce unemployment, increase the competition between domestic firms and foreign firms, reduce the costs of some products and develop Human Resource (HR) in domestic countries. On the other hand, there is nothing perfect in this world. Sometimes foreign investments affect economies in a negative way and there are many disadvantages for (FDI), for instance: some of the foreign businesses cannot be applicable because of the culture, society, and the lifestyle of domestic countries. Additionally, all income of the investment goes to the parent company, which means there are no benefits for the government or the employees of the domestic countries, moreover, the employees endeavor to work hard for long hours, and these efforts are not appreciated. In conclusion, foreign investments are a world demand, and we cannot deny that some countries depend on foreign direct Investments as the main source of income, and this can be noted from the previous studies.

### 5.2 Conclusion and Recommendations

As we know Invest in Jordan's historical relations with brotherly and friendly countries to attract foreign direct investment to Jordan, we can see how the foreign investments affected the other countries especially the Arab ones such as U.A.E and Qatar, also, we can see the effect on Jordan too. The foreign investments was affecting Jordan in a positive way, but recently the situation changed, and this type of investments started to affected the Jordanian economy in a negative way, all of the previous studies concluded the positive effect of the foreign investments on the economic growth of Jordan, for instance, Khrawish and Siam (2010) said the there is a positive relationship between foreign investments and the growth of the economy, also, Yaseen (2014) studied the relationship between FDI and the economic growth of Jordan, he found a positive relationship and that these investments are reducing the unemployment in Jordan, and many other studies that agrees with the foreign investments that came to Jordan and affected it in a positive way. On the other side, many other studies conclude that the FDI will affect the Jordanian economy in the future, Louzi and Abadi (2011) both of them found that the FDI is not affecting Jordan yet, and

the government needs to develop their strategies and plans more and more in order to attract more foreign investments. We know that there is a positive relationship between the foreign investments economic growth, and we can't deny that, but this paper is showing that the foreign investments is not affecting the baking sector in a positive way, because the FDI inflows that was going to the banking sector, are possibly being channeled out other directions. In addition, the bank deposits (BD) and the bank size (BS) both of them are affecting the bank's profitability in a strongly positive way. At the end of this study, i recommend the Jordanian government to exclude the exceptions they gave to foreign investors in order to reduce the number of these investments, such as the tax restrictions. Also, the government must control the foreign investments inflows , to make sure that the inflows are going to the concerned sector. On the other side, both the managers and people in charge of the banks, are responsible for the problems that happened in their banks due to the foreign investments, such as the bad use of the technologies, they could use these technologies in a good way, for instance, these technologies can be used to reduce the cost in the process of controlling and moving the funds. Moreover, we studied the bank deposits, and we found that there is a positive impact on the Return on Assets (ROA), which means the profitability of the banks, in the short run, but in the long run, the increase of bank deposits will affect the profitability in a negative way, hence, the bank managers must control these deposits as much as they can.

# REFERENCES

Adeniyi, O. A., Omisakin, O.A., Egwaikhide, F., & Oyinlola, A. (2012). Foreign direct investment, economic growth and financial sector development in small open developing economies,*42*(1), 105-127.

Adigwe, P. K., Okaro, C. S. (2018). Banking sector operations and foreign direct investment in Nigeria: A Causality Analysis. *Asian Themes in Social Sciences Research,1*(2), 60-75.

Alalaya, M., & Khattab , S. A. (2015). A Case Study in Business Market :' Banks profitability: evidence from Jordanian commercial banks (2002-2015). *International Journal of Business Management and Economic Research(IJBMER)*, *6*(4), 204-213.

Al-Khouri, R. (2015). Determinants of foreign direct and indirect investment in the MENA region, *The Multinational Business Review, 23*(2), pp.148-166.

Basel Committee on Banking Supervision (2003). Risk management principles for electronic banking, Switzerland: Bank of International Settlements. Retrieved from http://www.bis.org/publ/bcbs98.pdf.

Buckley, P., (2005), Foreign Direct Investment, China and the World Economy. Retrieved from https://www.palgrave.com/gp.

Buettner, T., Overesch, M., & Wamser, G. (2016). Anti Profi-Shifting Rules and Foreign Direct Investment Thiess. *International Institute of Public Finance, 25*(3),

553-580.

Central Bank of Jordan, See: http://www.cbj.gov.jo//http://statisticaldb.cbj.gov.jo/index?lang=ar.

Emudainohwo, O. B., Boateng, A., & Brahma, A. (2018). Analysis of government policies, institutions, and inward foreign direct investment: Evidence from sub-Saharan Africa. *60*(40), 523-534. Retrieved from https://onlinelibrary.wiley.com/.

Enisan, Akinlo A. (2015), Determinates of foreign direct investment in Nigeria: A markov regime- switching approach. *A Journal of Economic and Social Research, 3*(1), 21-48.

Gashaw, T. W. (2014). Three essays on banking foreign direct investment *dissertations, 16. http://scholarworks.wmich.edu/dissertations/16*.

Humanicki, M., & Kelm, R. (2013). Working paper foreign direct investment and foreign portfolioinvestment in the contemporary globalized world: should they be still treated separately?.working paper No. 167 No. Retrieved from https://www.ssrn.com/en/.

Jude, C., & Levieuge, G. Growth Effect of FDI in Developing Economies: the Role of Institutional Quality. 40(4), 715-742. Retrieved from https://onlinelibrary.wiley.com/.

Khrawish, H, & Siam, W. (2010). Determinants of direct foreign investment: Evidence from Jordan. *BEH - Business and Economic Horizons 1*(1), 67-75.

Kim, K. H., & Kim, M. C. (2015). Effect of corporate social responsibility on corporate financial performance: A competitive action perspective. *Journal of Management, 44*(3), 1097-1118.

Kirikkaleli, D. (2013). Foreign direct investment in the banking sector: empirical evidence from Turkey. Retrieved from https://pdfs.semanticscholar.org/cdea/1891bb9bcce.

Lee,J. W., & Wang, Z. (2017) . Spillover Effects of FDI Inflows on the Banking Industry in China. International conference on business and economic: international conference, 47-48.

Musah, H., & Gakpetor, E. (2018). Foreign Direct Investment (FDI), Economic Growth and Bank Performance in Ghana. International Journal of Finance and Accounting. 7(4): 97-107.

Najaf, J. (2017). The Impact of Terrorism on Foreign Direct Investment in Jordan. 6: 227. Retrieved from https://www.omicsonline.org/accounting-marketing.php.

Nguyen, H., & Vinh, C. (2014). The Impact of Heterogeneous Bilateral Investment Treaties (BIT) on Foreign Direct Investment (FDI) Inflows to Vietnam. *SECO / WTI Academic*.

Noland, M. (2018) . Has Abenomics Succeeded in Raising Japan's Inward Foreign Direct Investment?. *13*(1), 149-168. Retrieved from https://onlinelibrary.wiley.com/.

Reddy, K. S. ( 2014).Trends in FDI inflows into India –a study of Power Sector. *TRANS Asianresearch Journals* 3(9), 14-29.

Sasmaz, M. U., Gumus, E. (2018). The impact of development in banking sector and foreign direct investments on economic growth: Sample of Turkey. *International Journal of Advanced and Applied Sciences*, 5(12), 30-35.

Simmons, J., Hicken, A., & Kollman, K. (2018) . Party system structure and its consequences for foreign direct investment. *Party Politics 24*(2), 141-153.

*Trading Economics, See:* https://tradingeconomics.com/jordan/currency

*Trading Economics, See:* https://tradingeconomics.com/jordan/gdp

Yadav, N. (2018), Foreign Direct Investment to Service Sector in India, FMS, University of Delhi,Faculty of Management Studies. *Management journal, 7*(6).

Yaseen, H. (2014). The Impact of Foreign Direct Investment FDI on Economic Growth of Jordan. *European Journal of Business and Management 6*(39).

Yen Li Chee. (2010). The Impact of FDI and Financial Sector Development on Economic Growth:Empirical Evidence from Asia and Oceania. *International Journal of Economics and Finance 2*(2).

# LIST OF APPENDICES

## **Appendix 1.** Short Run ARDL Estimation

Dependent Variable: L_ROA
Method: ARDL
Date: 12/06/18 Time: 12:48
Sample (adjusted): 2001Q1 2017Q4
Included observations: 68 after adjustments
Maximum dependent lags: 4 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (4 lags, automatic): L_FDI L_BS L_BD L_EG FC
Fixed regressors: C
Number of models evaluated: 12500
Selected Model: ARDL(3, 0, 1, 3, 4, 0)

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|---|---|---|---|---|
| L_ROA(-1) | 0.625107 | 0.105397 | 5.930964 | 0.0000 |
| L_ROA(-2) | -0.588801 | 0.119509 | -4.926849 | 0.0000 |
| L_ROA(-3) | 0.446258 | 0.099808 | 4.471180 | 0.0000 |
| L_FDI | -0.071452 | 0.036871 | -1.937902 | 0.0582 |
| L_BS | 4.719361 | 1.707138 | 2.764487 | 0.0079 |
| L_BS(-1) | -2.355317 | 1.694576 | -1.389915 | 0.1706 |
| L_BD | 1.314711 | 0.999326 | 1.315597 | 0.1942 |
| L_BD(-1) | -0.735056 | 1.398918 | -0.525446 | 0.6016 |
| L_BD(-2) | 0.234872 | 1.397674 | 0.168045 | 0.8672 |
| L_BD(-3) | -2.512283 | 0.993065 | -2.529828 | 0.0145 |
| L_EG | -4.714024 | 1.804068 | -2.612997 | 0.0118 |
| L_EG(-1) | 1.927293 | 0.641890 | 3.002529 | 0.0041 |
| L_EG(-2) | -1.176107 | 0.718740 | -1.636346 | 0.1079 |
| L_EG(-3) | 0.131542 | 0.678750 | 0.193800 | 0.8471 |
| L_EG(-4) | 3.579010 | 1.808854 | 1.978606 | 0.0533 |
| FC | -0.121042 | 0.086625 | -1.397297 | 0.1684 |
| C | -6.000182 | 3.962983 | -1.514057 | 0.1362 |

| | | | |
|---|---|---|---|
| R-squared | 0.860160 | Mean dependent var | -0.079706 |
| Adjusted R-squared | 0.816289 | S.D. dependent var | 0.383573 |
| S.E. of regression | 0.164405 | Akaike info criterion | -0.560645 |
| Sum squared resid | 1.378485 | Schwarz criterion | -0.005768 |
| Log-likelihood | 36.06194 | Hannan-Quinn criteria. | -0.340786 |
| F-statistic | 19.60642 | Durbin-Watson stat | 2.188324 |
| Prob (F-statistic) | 0.000000 | | |

*Note: p-values and any subsequent tests do not account for model selection.

## **Appendix 2.** Long Run ARDL Estimation

ARDL Cointegrating And Long Run Form
Dependent Variable: L_ROA
Selected Model: ARDL(3, 0, 1, 3, 4, 0)
Date: 12/06/18 Time: 12:53
Sample: 2000Q1 2017Q4
Included observations: 68

Cointegrating Form

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| D(L_ROA(-1)) | 0.127383 | 0.088683 | 1.436380 | 0.1570 |
| D(L_ROA(-2)) | -0.445575 | 0.085594 | -5.205660 | 0.0000 |
| D(L_FDI) | -0.064164 | 0.034765 | -1.845654 | 0.0708 |
| D(L_BS) | 4.590353 | 1.498564 | 3.063168 | 0.0035 |
| D(L_BD) | 1.221764 | 0.870515 | 1.403495 | 0.1665 |
| D(L_BD(-1)) | 2.360990 | 0.922775 | 2.558574 | 0.0135 |
| D(L_BD(-2)) | 2.621332 | 0.954928 | 2.745057 | 0.0083 |
| D(L_EG) | -4.690454 | 1.082848 | -4.331591 | 0.0001 |
| D(L_EG(-1)) | -2.530275 | 1.028407 | -2.460383 | 0.0173 |
| D(L_EG(-2)) | -3.665823 | 1.086622 | -3.373594 | 0.0014 |
| D(L_EG(-3)) | -3.543538 | 1.006074 | -3.522144 | 0.0009 |
| D(FC) | -0.036155 | 0.124864 | -0.289558 | 0.7733 |
| CointEq(-1) | -0.525030 | 0.084244 | -6.232223 | 0.0000 |

Cointeq = L_ROA - (-0.1381*L_FDI + 4.5688*L_BS -3.2811*L_BD -0.4876 *L_EG -0.2339*FC -11.5960 )

Long Run Coefficients

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| L_FDI | -0.138089 | 0.065964 | -2.093405 | 0.0413 |
| L_BS | 4.568770 | 1.801044 | 2.536734 | 0.0143 |
| L_BD | -3.281097 | 1.024308 | -3.203232 | 0.0023 |
| L_EG | -0.487571 | 3.012204 | -0.161865 | 0.8721 |
| FC | -0.233926 | 0.172902 | -1.352936 | 0.1820 |
| C | -11.595999 | 6.792804 | -1.707101 | 0.0939 |

## **Appendix 3.** ARDL Bound Test

ARDL Bounds Test
Date: 12/05/18 Time: 15:03
Sample: 2001Q1 2017Q4
Included observations: 68
Null Hypothesis: No long-run relationships exist

| Test Statistic | Value | k |
|---|---|---|
| F-statistic | 4.824364 | 5 |

Critical Value Bounds

| Significance | I0 Bound | I1 Bound |
|---|---|---|
| 10% | 2.08 | 3 |
| 5% | 2.39 | 3.38 |
| 2.5% | 2.7 | 3.73 |
| 1% | 3.06 | 4.15 |

**Appendix 4.** Serial correlation LM Test

Test Equation:
Dependent Variable: D(L_ROA)
Method: Least Squares
Date: 12/05/18 Time: 15:03
Sample: 2001Q1 2017Q4
Included observations: 68

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| D(L_ROA(-1)) | 0.111117 | 0.106552 | 1.042845 | 0.3019 |
| D(L_ROA(-2)) | -0.449551 | 0.102533 | -4.384438 | 0.0001 |
| D(L_BS) | 4.216783 | 1.783773 | 2.363968 | 0.0219 |
| D(L_BD) | 1.447049 | 1.012900 | 1.428620 | 0.1592 |
| D(L_BD(-1)) | 2.172210 | 1.006476 | 2.158233 | 0.0356 |
| D(L_BD(-2)) | 2.618973 | 1.046720 | 2.502077 | 0.0156 |
| D(L_EG) | -3.994313 | 1.892709 | -2.110369 | 0.0398 |
| D(L_EG(-1)) | -1.263961 | 2.105525 | -0.600307 | 0.5510 |
| D(L_EG(-2)) | -2.549693 | 1.972766 | -1.292446 | 0.2020 |
| D(L_EG(-3)) | -2.576074 | 1.839816 | -1.400181 | 0.1675 |
| C | -4.130421 | 3.859935 | -1.070075 | 0.2896 |
| L_FDI(-1) | -0.042044 | 0.037024 | -1.135573 | 0.2614 |
| L_BS(-1) | 2.244390 | 0.979645 | 2.291025 | 0.0261 |
| L_BD(-1) | -1.328733 | 0.551743 | -2.408247 | 0.0197 |
| L_EG(-1) | -0.813381 | 1.552018 | -0.524079 | 0.6025 |
| FC(-1) | -0.155302 | 0.096622 | -1.607320 | 0.1142 |
| L_ROA(-1) | -0.499267 | 0.122601 | -4.072294 | 0.0002 |

| | | | |
|---|---|---|---|
| R-squared | 0.807929 | Mean dependent var | 0.020294 |
| Adjusted R-squared | 0.747671 | S.D. dependent var | 0.332597 |
| S.E. of regression | 0.167071 | Akaike info criterion | -0.528474 |
| Sum squared resid | 1.423554 | Schwarz criterion | 0.026403 |
| Log-likelihood | 34.96813 | Hannan-Quinn criteria. | -0.308615 |
| F-statistic | 13.40791 | Durbin-Watson stat | 2.120011 |
| Prob(F-statistic) | 0.000000 | | |

**Appendix 5.** Heteroscedasticity Test and Normality Test: Berusch-Pagan-Godfrey, Jarque-Bera.

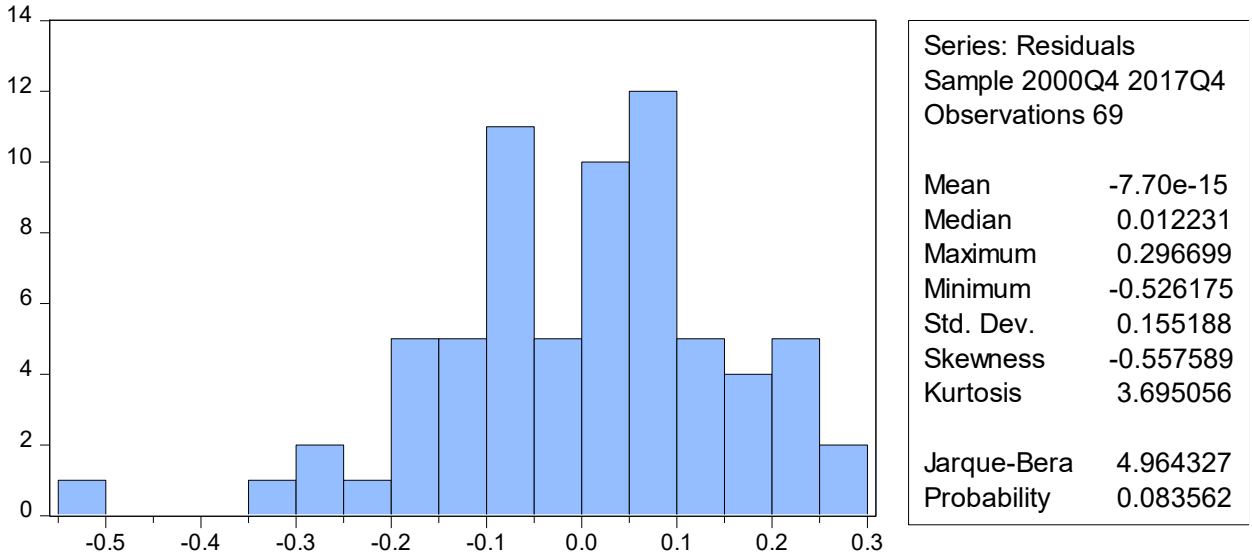
Breusch-Godfrey Serial Correlation LM Test:

| | | | |
|---|---|---|---|
| F-statistic | 0.561027 | Prob. F(2,49) | 0.5742 |
| Obs*R-squared | 1.522278 | Prob. Chi-Square(2) | 0.4671 |

Heteroskedasticity Test: Breusch-Pagan-Godfrey

| | | | |
|---|---|---|---|
| F-statistic | 0.972069 | Prob. F(16,51) | 0.4993 |
| Obs*R-squared | 15.89123 | Prob. Chi-Square(16) | 0.4606 |
| Scaled explained SS | 17.56437 | Prob. Chi-Square(16) | 0.3500 |

Normality Test: Jarque-Bera:

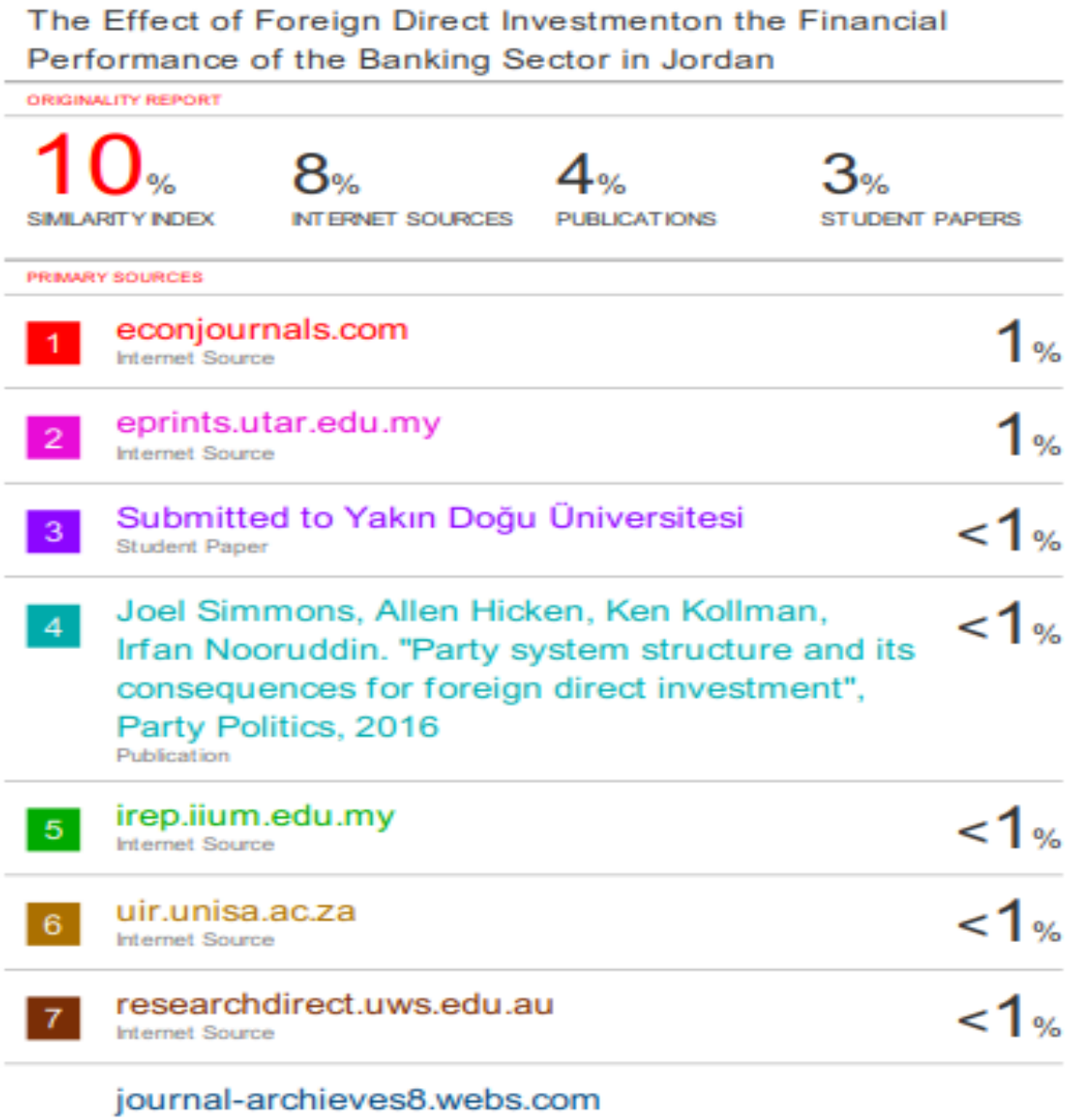



**Data**

| | ROA | FDI | BS | BD | EG | FC |
|---|---|---|---|---|---|---|
| 2000:1 | 0.30 | 262.5 | 11876.9 | 4742.5 | 1219.5 | 0 |
| 2000:2 | 0.30 | 301.2 | 12302. | 4906.7 | 1341.8 | 0 |
| 2000:3 | 0.30 | 442.8 | 12686.9 | 4988.4 | 1431.8 | 0 |
| 2000:4 | 0.30 | 434.6 | 12913.5 | 5000.2 | 1425.6 | 0 |
| 2001:1 | 0.40 | 243 | 13268.3 | 5067.2 | 1292. | 0 |
| 2001:2 | 0.40 | 244.6 | 13727.6 | 5170.6 | 1423.8 | 0 |
| 2001:3 | 0.50 | 253.1 | 13947.8 | 5058.8 | 1502. | 0 |
| 2001:4 | 0.70 | 361.9 | 14327.7 | 5203.7 | 1486.4 | 0 |
| 2002:1 | 0.70 | 338.2 | 14764.6 | 5322.6 | 1353.1 | 0 |
| 2002:2 | 0.60 | 278.1 | 14996.2 | 5490.5 | 1496.5 | 0 |
| 2002:3 | 0.60 | 254.8 | 15119.3 | 5656.6 | 1599.75 | 0 |
| 2002:4 | 0.60 | 265.1 | 15119.5 | 5532.6 | 1584.7 | 0 |
| 2003:1 | 0.60 | 337.5 | 15241.3 | 5561.6 | 1409.1 | 0 |
| 2003:2 | 0.70 | 394.7 | 15689.2 | 5799.9 | 1552.2 | 0 |
| 2003:3 | 0.70 | 560.4 | 15701.5 | 6090.6 | 1660. | 0 |
| 2003:4 | 0.72 | 254.1 | 15808.5 | 6082.9 | 1663.9 | 0 |
| 2004:1 | 0.78 | 242.1 | 16223.5 | 5975.6 | 1520. | 0 |
| 2004:2 | 0.80 | 358 | 17173. | 6179.6 | 1676.9 | 0 |
| 2004:3 | 0.90 | 324.1 | 17821.1 | 6681.7 | 1815.1 | 0 |
| 2004:4 | 1.10 | 458 | 18619.7 | 6878.7 | 1811.7 | 0 |
| 2005:1 | 1.10 | 223.2 | 19618.9 | 7087. | 1670.4 | 0 |
| 2005:2 | 1.10 | 324.6 | 20498.1 | 7697.8 | 1845. | 0 |
| 2005:3 | 1.60 | 282.1 | 21086.5 | 8065.4 | 1937. | 0 |
| 2005:4 | 2.00 | 269.4 | 21867. | 8364.5 | 1927.2 | 0 |
| 2006:1 | 1.60 | 264.1 | 22862.2 | 8261.4 | 1810.1 | 0 |
| 2006:2 | 0.96 | 192.2 | 23616.9 | 8819.3 | 1976.98 | 0 |
| 2006:3 | 1.20 | 340.6 | 24237.6 | 9045.4 | 2073.35 | 0 |
| 2006:4 | 1.70 | 258.1 | 25138. | 9427.1 | 2116.36 | 0 |
| 2007:1 | 1.35 | 252.6 | 25876.7 | 9785.6 | 2001.64 | 0 |
| 2007:2 | 0.80 | 317.6 | 27055.8 | 10203.3 | 2175.4 | 0 |
| 2007:3 | 1.00 | 347.3 | 26815.6 | 10627.6 | 2224.72 | 0 |
| 2007:4 | 1.60 | 281.4 | 27537.5 | 10618. | 2227.27 | 0 |
| 2008:1 | 1.60 | 295 | 28979.3 | 11228.7 | 2131.9 | 1 |
| 2008:2 | 0.90 | 651.2 | 29914.1 | 12279.6 | 2337.53 | 1 |
| 2008:3 | 0.90 | 573.3 | 29796.6 | 13135.7 | 2415.68 | 1 |
| 2008:4 | 1.40 | 193.8 | 30216.7 | 13348.5 | 2368.04 | 1 |
| 2009:1 | 1.40 | 166.3 | 31017.9 | 14259. | 2240.67 | 1 |
| 2009:2 | 0.60 | 573.1 | 31233.6 | 14866.1 | 2458.14 | 1 |
| 2009:3 | 0.60 | 529.3 | 31956.9 | 15217. | 2601.26 | 0 |
| 2009:4 | 1.10 | 737 | 32409.4 | 15865. | 2459.81 | 0 |
| 2010:1 | 1.10 | 492.4 | 32908.5 | 16145.6 | 2294.9 | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2010:2 | 0.60 | 469.3 | 33641. | 16511.2 | 2492.42 | 0 |
| 2010:3 | 0.60 | 374.3 | 34973.1 | 16975.5 | 2659.53 | 0 |
| 2010:4 | 1.10 | 523.1 | 35526.1 | 17617.2 | 2538.61 | 0 |
| 2011:1 | 1.10 | 213.7 | 36570.3 | 17636.1 | 2346.71 | 0 |
| 2011:2 | 0.60 | 649.2 | 37139.7 | 17973.4 | 2552.29 | 0 |
| 2011:3 | 0.60 | 733 | 37686.4 | 18727.7 | 2727.9 | 0 |
| 2011:4 | 1.10 | 916.8 | 38049.3 | 19119.1 | 2616.86 | 0 |
| 2012:1 | 1.10 | 297 | 38031.2 | 19233. | 2416.6 | 0 |
| 2012:2 | 0.60 | 567.1 | 39245.2 | 18750.1 | 2625.5 | 0 |
| 2012:3 | 0.60 | 233.1 | 39275.3 | 18800.6 | 2798.2 | 0 |
| 2012:4 | 1.10 | 309.8 | 40482.1 | 17711.1 | 2675. | 0 |
| 2013:1 | 1.11 | 124.2 | 41058.3 | 18652.3 | 2479.6 | 0 |
| 2013:2 | 0.64 | 163.2 | 42424.4 | 19688.4 | 2705.8 | 0 |
| 2013:3 | 1.20 | 204.8 | 42802.8 | 20553.5 | 2876.2 | 0 |
| 2013:4 | 1.20 | 172 | 43336.2 | 21003. | 2751.3 | 0 |
| 2014:1 | 1.30 | 218.6 | 44064. | 22069.8 | 2557.97 | 0 |
| 2014:2 | 1.40 | 61.8 | 44447.4 | 23033.4 | 2781.7 | 0 |
| 2014:3 | 1.44 | 69.3 | 44868.1 | 23354.3 | 2965.4 | 0 |
| 2014:4 | 1.40 | 38.1 | 45515. | 24013.1 | 2842.5 | 0 |
| 2015:1 | 1.42 | 22.6 | 46410.6 | 24833.2 | 2608.1 | 0 |
| 2015:2 | 1.40 | 69.2 | 46917.3 | 25317.2 | 2847.4 | 0 |
| 2015:3 | 1.30 | 57.8 | 47133.2 | 25836.6 | 3042.2 | 0 |
| 2015:4 | 1.30 | 19.3 | 47376.7 | 26014.5 | 2916.5 | 0 |
| 2016:1 | 1.10 | 25 | 47551.2 | 26314.8 | 2669.2 | 0 |
| 2016:2 | 0.60 | 67.1 | 48003.3 | 26207.5 | 2902.5 | 0 |
| 2016:3 | 0.60 | 72.3 | 48383.5 | 26418.2 | 3096.7 | 0 |
| 2016:4 | 0.80 | 29.6 | 47651.1 | 25968.2 | 2974.6 | 0 |
| 2017:1 | 1.10 | 36.8 | 48461.3 | 25060.2 | 2727.3 | 0 |
| 2017:2 | 0.60 | 104 | 48474.2 | 25461.8 | 2960.4 | 0 |
| 2017:3 | 0.70 | 65.7 | 49102.5 | 25495.4 | 3156.8 | 0 |
| 2017:4 | 1.20 | 441 | 49730.8 | 25642.2 | 3027.8 | 0 |

# PLAGIARISM REPORT



The Effect of Foreign Direct Investmenton the Financial Performance of the Banking Sector in Jordan

ORIGINALITY REPORT

| 10% | 8% | 4% | 3% |
|---|---|---|---|
| SIMILARITY INDEX | INTERNET SOURCES | PUBLICATIONS | STUDENT PAPERS |

PRIMARY SOURCES

| | | |
|---|---|---|
| 1 | econjournals.com<br>Internet Source | 1% |
| 2 | eprints.utar.edu.my<br>Internet Source | 1% |
| 3 | Submitted to Yakın Doğu Üniversitesi<br>Student Paper | <1% |
| 4 | Joel Simmons, Allen Hicken, Ken Kollman, Irfan Nooruddin. "Party system structure and its consequences for foreign direct investment", Party Politics, 2016<br>Publication | <1% |
| 5 | irep.iium.edu.my<br>Internet Source | <1% |
| 6 | uir.unisa.ac.za<br>Internet Source | <1% |
| 7 | researchdirect.uws.edu.au<br>Internet Source | <1% |
| | journal-archieves8.webs.com | |

# ETHICS COMMITTEE APPROVAL

YAKIN DOĞU ÜNİVERSİTESİ

BİLİMSEL ARAŞTIRMALAR ETİK KURULU

06.12.2018

Dear Abdelrahman Zarour

Your project “The Effect of Foreign Direct Investment on the Financial Performance of the Banking Sector in Jordan" has been evaluated. Since only secondary data will be used, the project does not need to go through the ethics committee. You can start your research on the condition that you will use only secondary data.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee

Direnc Kanol

Note: If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the Ethics Committee by showing this document.