Managing Foreign Financial Firms (MNB) and their Contributed in Financial Sector Performance

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Abstract

*The importance of this study came from an importance of the subject itself that contributes and helps the economy to Raise the wheel of national economy, And competition between domestic and foreign banks increases the standard of competition to provide the best service. **Hypotheses:** Rely on specific objectives of the study, the following hypotheses formed , didn't have a statistically significant effect at the significance level (0.05) for the foreign banks that operating in Jordan on local assets , didn't have a statistically significant effect at the significance level (0.05) for foreign banks that operating in Jordan on the number of banks. **Methodology of the study.** This study aims to evaluate the performance of foreign banks operating in Jordan, and to identify the mechanism of action of foreign improper, Conclusions of the study: There is a remarkable increase in the number of foreign banks. There is a remarkable increase in domestic assets .There is a marked fluctuation in foreign assets. There is a noticeable fluctuation of foreign assets. There is a correlation between the independent variable of the study.*

Keywords: foreign banks, domestic, assets, Jordan.

Introduction

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

1. What is the contribution of foreign banks in Jordan for the Application of financial performance standards?
2. Make sure where the achievement of foreign banks operating in Jordan profitable enough to stabilize the financial   tools?   .
3. What is the extent of foreign banks operating in Jordan sensitivity to market risks? **Objectives of the study:** The study seeks to achieve the following goals:

1.identify the nature of the financial performance of banks.

2. assess the positive and negative effects of foreign banks operating in Jordan.

3. Identify the extent of the contribution of foreign banks in the economic well-being in Jordan.

4. Analysis of influencing foreign banks operating in Jordan economic variables **The importance of studying:** The importance of this study came from an importance of the subject itself to contribute and help the economy to Raise the wheel of the national economy, And competition between domestic and foreign banks increases the standard of competition to provide the best service. **Hypotheses:** Rely on specific objectives of the study, the following hypotheses formed:

1. didn't have a statistically significant effect at the significance level (0.05) for the foreign banks that operating in Jordan on local assets

2. didn't have a statistically significant effect at the significance level (0.05) for foreign banks that operating in Jordan on the number of banks .**Methodology of the study.** This study aims to evaluate the performance of foreign banks operating in Jordan, and to identify the mechanism of action of foreign improper .Using information and data collection, analysis and interpretation, allowing to provide accurate and objective picture of the subject matter, to be described clearly and discovery will be used descriptive method and statistical method .The relationship between variables or between them and any other elements. **The study population:** The study will cover the statements of the foreign banks which operating in the Hashemite Kingdom of Jordan for all foreign banks. **The study sample:** The study **sample** will consist of all foreign banks operating in the Hashemite Kingdom of Jordan which are nine banks. **The variables of the study:** firstly should be classified variables to an independent and the dependent variable:
• dependent variable: net domestic assets.
• Independent variables:
1. Net foreign assets.
2.Number of foreign banks operating in Jordan. And it can be expressed in the following depth equation:

$$N.F.A \ = \ a+ \ _{B1NFA} \ + \ ei \qquad\qquad\qquad .$$
$$N.F.A \ = \ a+ \ _{B2NDA} \ + \ ei \qquad\qquad\qquad .$$

a: fixed value , B1: the sensitivity of the change in the foreign assets on the domestic assets of banks that operating in Jordan ,B2: the sensitivity of the change in the number of foreign banks that operating in Jordan. ei: random error estimation

Previous studies: The Mrbah, (2012). studying on the financial performance which using the Balanced Scorecard evaluation. In order to get a balanced assessment of financial performance, depending on the method of qualitative research, including the study talking about the case study, the academic community is made up of airline Airways, Royal Jordanian. Are examined financial published for the years (2011-2012)the study in order to evaluate the financial performance using the Balanced Scorecard, results of the study spoke about the existence of the effect that using the balanced score card balanced four axes on performance measures based on accounting profit in the air (airline Royal Jordanian). preparation to evaluate future performance depending on the application and use of the Balanced Scorecard models form which it approves the expected goals with future which works with the rapid developments and changes in the business community of proportionality. **The Tasmiya,(2014) the studying entitled "evaluate the performance of commercial banks using a model case study of Camels National Bank of Algeria (2008-2012).**

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

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

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

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

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

Yaseen and others study (2015) "on the Entry of Foreign Bank: The Jordanian Experience". The Yaseen and others conducted a study entitled on the Entry of Foreign Bank) The Jordanian Experience.)
The purpose of this study to what the impact of entry of branches of foreign banks to local banks and what is their impact on the financial performance, the study sample all the branches of foreign banks operating in the Kingdom of Jordan and number eight branches of foreign banks for a period of (2000-2010), The study found several important results was the most prominent or entry of foreign banks enhances the efficiency of local banks to promote competition between them and this improves the efficiency of banks and thereby ease the costs of financial intermediation and the strengthening of competitiveness between banks, and that the entry of foreign banks would lead to improving the performance of local banks, and should focus cognitive policymakers to host other branches would raise the currency of the national economy. **study (2008) Lee: "Financial Liberalization and Foregin Bank Entry in MENA".**

This paper analyzes the impact of financial liberalization and the entry of foreign banks on the competitiveness and safety of the local knowledge system, as well as credit growth in conjunction with the financial sector development, the study conducted by the World Bank for the Middle East region to measure the extent of affecting the region Bachirvh foreign in those countries, Eventually, she concluded the study that the development of the sector financial directly linked to the branches of foreign banks and financial depth is the basis, by domestic credit expansion to the private sector rather than the public sector, because most of the financial markets back to the state-owned in some countries banks dominance, the basic requirement to encourage the entry of foreign banks that set aside local banks , the final outcome that the entry of foreign banks on emerging economies (Middle East) has had a positive impact on economic development and market knowledge for each state. **to comment on previous studies:** The financial performance of banks, a process that requires full awareness by these banks and in particular that was foreign to return for annual reports of these banks and the work of studies on the boards of management. Previous studies had focused on the impact of these foreign branches (banks) on the economy, as a whole, and therefore, the foreign banks in their last or help the economic recovery of the country.

Researcher finds that foreign banks operating in the Hashemite Kingdom of Jordan to help in the economic development and on the central bank to take advantage of these banks' expertise in how to manage money, and benefit from the experience of working in the field of finance and credit, competition and that the central bank action Studies and Research of the importance of branches of foreign banks. **Data Methodology of the study**.(The method and procedures)This chapter deals with a description of the study community and appointed by the instrument used , the procedures for building , developing necessary to achieve the validity reliability and statistical methods used to get and know the results of the study and steps. **Statistical methods:** It used of appropriate statistical tests in order to answer the questions of the study and test the premise derived from statistical package (SPSS) and therefore will be used as follows: Normal distribution test (Normal Distribution) using the test (One - Sample Kolmogorov Test).Matrix link "Pearson" transactions to test the independence of the independent variables. Arithmetic means and standard deviations• Multiple regression analysis (Multiple Regression analysis) to test the validity of the study sample and moral influence of the independent variable on the child. **Results and discussion:** This chapter includes a presentation of statistical results that have been reached after the study data analysis tool, and will detect signs of differences to the variables of the study, knowing the nature of the relationship between variables, so by answering the hypotheses of the study:

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

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

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

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

Table   **(2)**
A normal distribution for the study variables using the Kolmogorov-Smirnov

One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Domestic assets	Foreign assets	The number of banks
N		147	149	149
Normal Parameters[a,b]	Mean	228315.01	9472.5449	-10319.796
	Std. Deviation	472799.20	37192.00384	37390.025
Most Extreme Differences	Absolute	.325	.337	.365
	Positive	.325	.337	.271
	Negative	-.308	-.308	-.365
Kolmogorov-Smirnov Z		3.940	4.108	4.458
Asymp. Sig. (2-tailed)		.000	.000	.000

a. Test distribution is Normal.

b. Calculated from data.

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

Second: The correlation matrix:

The researcher has extracted the correlation matrix between the variables of the study, and as shown in the following:

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

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

** correlationissignif at the 0.001 level (2- tailed)

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

Fourth, test hypotheses using simple regression analysis:

First, test the main hypothesis:

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

H0: No effect is statistically significant at the level of significance ($0.05 = \alpha$) of the impact of a number of foreign banks Al foreign assets.

To test this hypothesis, the researcher doing regression analysis Almtaddlother Almstqlaly variable number of foreign banks, as shown in the following tables:

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

Model Summary

Model	R	Square	Adjusted Square	Std. Error of Estima	Square Change	Change Statistics			
						Chang	df1	df2	g. F Chan
1	.461ª	.212	.195	94.4663	.212	12.311	3	137	.000

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

The previous table shows the Pearson correlation between the independent variable and variable coefficient of the market reached the correlation coefficient (0.46) This is a medium and a positive relationship, and reached the coefficient of determination (R^2) (0.21) that is worth 21% of the changes in total assets resulting from net change in cash each from financing activities, investment activities, and operational.

Activities.

The researcher extracted the variance of the impact of moral regression analysis of variable and as shown in the following table:

ANOVA

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

a. Predictors: (Constant),**Number of banks ,Foreign assets**

b. Dependent Variable: **Domestic assets**

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

As shown in the following table:

Table (6)

Coefficients^a

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

a. Dependent Variable: **Domestic assets**

The impact of the independent variable on the dependent variable extraction test

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

Results:

1. There is a remarkable increase in the number of foreign banks for the years (2009-2013).

2. There is a remarkable increase in domestic assets (2010-2014).

3. There is a marked fluctuation in foreign assets for the years (2009-2013).

4. There is a noticeable fluctuation of foreign assets for the years (2012-2013).

5. There is a correlation between the independent variable of the study. Where the correlation coefficients ranged between (0.04--0.432). Also, the correlation coefficients are positive and the other negative.

6. No effect is statistically significant at the level of significance (0.05 = α) of the impact of a number of foreign banks for the years (2009-2013) on local assets.

7. No effect is statistically significant at the level of significance (0.05 = α) of the impact of foreign assets for the years (2010-2014) on local assets.

8. Jordanian banks' profits rise in general and this indicates the presence of the role of foreign banks.

9. saw credit facilities and brokerage significant progress after the entry of foreign banks to the Jordanian banking market.

10. Jordanian and foreign banks' earnings have risen in general, and this gives us the impression that the effect of foreign banks to increase those profits.

11. Central Bank of Jordan issued instructions, which are inspired by the Basel Committee on 1 and 2 standards and adhere to foreign banks.

12. Standard Camels reveals the strengths and weaknesses in foreign banks.

13. The performance of foreign banks operating in Jordan privileged with respect to (efficiency, effectiveness, social responsibility, and particularly the financial indicators)

Recommendations

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

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

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

4. Work on finding foreign branches ends with ownership of the Jordanian economy.

5. necessity of workshops between local and foreign banks operating in Jordan to take advantage of the capabilities andexpertise.

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

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

Future studies

1. Foreign banks in Jordan (analytical study)
2. developmental role of foreign banks operating in Jordan
3. Foreign direct investment in Jordan (the case of foreign banks)
4. Comparison of indirect and direct foreign investment (the study of the reality of foreign banks)

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