

## The impact of financial globalization on the Jordanian banking performance (1986-2010)

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### Abstract

*Early 1990s, Jordan undertook a series of steps to liberalize the financial system. From these important reforms, the importance of investigating the impact of liberalization program on the performance of Jordanian banking sector is derived. Especially, the recent world financial crisis of 2008 has raised a question of the effect of financial liberalization. The aim of this study is to measure the effect of financial liberalization indices on Jordanian banks' performance under financial globalization. In order to achieve this goal, a quantitative analysis has been used, for a panel data sample covering eight Jordanian banks over the period (1986-2010). The research shows evidence that there is no significant effect of deregulation of interest rate on the performance of Jordanian banks. There is a negative effect of reduction of entry barriers, reduction of credit control, and improvement of prudential regulation on the performance of Jordanian banks. Finally, the study makes some recommendations which will enable Jordanian banking system to play an effective role in raising the level of the quality of banking services.*

**Keywords:** *financial globalization, liberalization, Jordan, banks' performance.*

### 1- Introduction:

The past three decades have witnessed dramatic capital account liberalization in many countries, including developing and emerging countries. The opening to the outside and the internal structural reforms of the financial sector are two interdependent process, both having as purpose the development of the financially competitive and efficient system, in order to facilitate economic growth and financial/banking system stability. While some countries have benefited from financial liberalization, others have not enjoyed higher economic growth or have even experienced severe financial crises and recessions in the years following liberalization.

Early nineties of the last century, Jordan like other developing countries in the world, adopted a policy of political openness and economic liberalization through the adoption of programs for economic adjustment, in collaboration with the World Bank and International Monetary Fund. Among the key steps were: removal of restrictions on interest rate, and reduction of restrictions on foreign exchange transactions.

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Additional reforms were implemented in 1997 to further liberalize the finance system: greater autonomy was given to bank management, increased capital adequacy requirements, reduction of control credit, and reduction of entry barriers.

It is clear that Jordan, from the beginning of 1990s, has worked seriously in order to apply a set of economic reforming programs, where the banking sector in Jordan is considered one of the most important factor in the economic sectors and the most influential and responsive to changes, therefore, this paper attempts to explore the impact of financial liberalization on Jordanian banking performance.

Since the end of the 1980s, almost every program of national economic reform, industrialized as well as developing and transitional economies, has contained a financial liberalization component. These developments have sparked a fierce debate among both academics and practitioners on the costs and benefits of financial globalization. Where many studies evaluate the direct impact of financial deregulation on bank performance, their empirical results are also rather controversial, some authors such as Berger and Humphrey (1997), Ataullah et al. (2004), Giannetti and Ongena (2009), show a positive effect on the performance and efficiency of banks. While other authors consider that deregulation has negative impact on productivity of banks, determining a decrease that financial openness most often leads to financial crises, such as Caprio and Kleingebiel (1996) Demirguc-Kunt and Detragiache (1998), Kaminsky and Reinhart(1999), Betty and John (2007).

## 2- Literature review:

Uiboupin (2004) and Bayraktar and Wang (2004) investigated the impact of foreign bank entry on the performance of domestic banks, in this context Uiboupin firstly, used two variables measuring the income of bank: net interest margin and non-interest income to total assets. Secondly, a bank's profitability is characterized by a ratio of before tax profits to total assets. Thirdly, bank's costs were measured by two variables: overhead costs to total assets and loan loss provisions to total assets. They found that foreign banks entry affect negatively domestic banks' revenues. Another result was that foreign banks entry can also raise the overhead costs of the local banks in short term.

Di Patti and Hardy (2005) studied the potential benefits and cost of Pakistan banking transforms' on bank productivity and relative efficiency using various techniques. He showed that: (a)Bank productivity in terms of profits has increased, and new entrants have been efficient, but the dispersion of efficiency remains wide. (B)The privatized banks improved their profit efficiency in the period immediately following their privatization, but in the subsequent years only one significantly improved its efficiency, whereas the other did not differentiate itself in terms of efficiency from the remaining state-owned banks.

Denizer and Dinc (2007) and Huang and Lin (2011) examined the effect of financial liberalization on the banking efficiency by using DEA. Where Denizer and Dinc (2007) studied the banking efficiency in a pre and post liberalization environment by drawing on the Turkish experience, and Huang (2007) used a sample of Top 10 banks in Taiwan. Their findings suggest that liberalization programs were followed by an observable decline in efficiency. Denizer and Dinc found also that one major reason for such system Wide efficiency decline has been the growing macroeconomic instability of the Turkish economy in general and financial sector in particular. While Hermes and Vu (2010) and Mwenda and Mutoti (2011) showed a positive effect of financial liberalization programmers' on bank efficiency in investigating the effects of market-based financial sector reforms on the competitiveness and efficiency of commercial banks.

## 3- Methodology and Data:

This paper attempts to investigate the effect of financial liberalization on bank's performance of the Jordanian banks. The sample of this study consists of all Jordanian banks, that have had complete set of data for the periods 1986-2008, which are (8) banks.

The data (bank level and economic level) for this analysis are drawn from secondary sources: Bank level data were collected from bank balance sheets and income statements during the period 1986-2008, as available from Amman Shareholding Guide (site, library, and department of research and studies of Amman Stock Exchange). General economic data were collected from the site of the Central Bank of Jordan. The study covers periods before and after financial liberalization in Jordan (1986-2008).

The performance index is based on the following two variables: return on assets (ROA) and return on equity (ROE). Measuring of after-tax rates of return, such as the return on average total assets (ROA) and the return on total equity (ROE) are widely used to assess the performance of firms, including commercial banks. Bank regulators and analysts have used ROA and ROE to assess industry performance and forecast trends in market structure, as inputs in statistical models to predict bank failures and mergers, and for a variety of other purposes where a measure of profitability is desired. (Gilbert and Wheelock, 2007).

According to Abu Bakr and Tahir (2009), the determinants of bank performance are liquidity ratio, size, and debt ratio.

### 3-1 The Model of the Study

The study uses a quantitative approach that can be carried out on data extracted from financial statements. According to Abu Bakr and Tahir (2009), multiple linear regression analysis is a technique for modeling the linear relationship between two or more variables. It is one of the most widely used statistical methods. In banking and finance literature, regression analysis is a very common method used to find the determinants of bank performance.

To accomplish the objectives of this study, the study employs Panel data analysis technique. "Panel regressions are used when one wish to explain differences across observation in a period, but there are not enough observations to generate reliable results" (Gastineau and Kritzman, 1999).

The model of our study are presented as follows:

$$P = \beta_0 + \beta_1 LIQ + \beta_2 SIZE + \beta_3 GDP + \beta_4 DR + \beta_5 FLI + e_i$$

**P:** Performance indicators of the banks

**LIQ:** Liquidity Ratio

**SIZE:** Size of the Bank

**GDP:** Growth Rate of Gross Domestic Product

**DR:** Debt Ratio

**FLI:** Financial Liberalization Indices

**e<sub>i</sub>:** Error Term

**β<sub>0</sub>, β<sub>1</sub>, ..., β<sub>N</sub>:** Coefficients of Variations

We use an empirical model. This model shows how different financial liberalization indices affect the banks performance. For this purpose the financial liberalization index used in this study are the six index provided by Laeven (2003) which are dummy variables. These indexes are composed of the following: Interest rate deregulation, Reduction of credit control, Reduction of entry barriers, Improvement of prudential regulation, Reduction of reserve requirement, and Privatization. Two indices are excluded from the variables. These are: privatization and the reserve requirement. The privatization of state banks absent in Jordan, because, the Jordan's banking system is fully privately owned. But for the reduction of reserve requirement is a semi-fixed over the year of this study, it has not been reduced in the true sense that achieves the objectives of financial liberalization.

$$1. P = \beta_0 + \beta_1 LIQ + \beta_2 SIZE + \beta_3 GDP + \beta_4 DR + \beta_5 din + e_i$$

$$2. P = \beta_0 + \beta_1 LIQ + \beta_2 SIZE + \beta_3 GDP + \beta_4 DR + \beta_5 reb + e_i$$

$$3. P = \beta_0 + \beta_1 LIQ + \beta_2 SIZE + \beta_3 GDP + \beta_4 DR + \beta_5 rcc + e_i$$

$$4. P = \beta_0 + \beta_1 LIQ + \beta_2 SIZE + \beta_3 GDP + \beta_4 DR + \beta_5 ipr + e_i$$

**din:** deregulation of interest rate

**reb:** reduction of entry barriers

**rcc:** reduction of control credit

**ipr:** improvement of prudential regulation

A dummy variable equal one (zero) to the years after (before) liberalization regime. For example: deregulation of interest rate index took a value of zero in years from 1986 to 1989 and it took a value of one in years from 1990 to 2010, where 1990 is the year when the Central bank of Jordan has decided to float the interest rate.

#### 4- Empirical results:

A. Testing effect of financial liberalization on Jordanian banks' performance as measured by return on equity.

B.

##### 4-1 Effect of deregulation of interest rate:

$$\text{Model 1: ROE} = \beta_0 + \beta_1\text{LIQ} + \beta_2\text{SIZE} + \beta_3\text{GDP} + \beta_4\text{DR} + \beta_5\text{din} + e_i$$

Carrying out a panel regression analysis for model (1) based on ROE, detailed results are presented in table (1).

As seen in table (1), the regression model has the power to explain 33.1% of the sample (adj.R<sup>2</sup>=.331), the model is generally significant (F=3.080, sig at .039<.05). Detailed results for control variables showed that the liquidity ratio variable is significant at (t=-3.067, p= .007<.05). Whereas the remaining control variables did not exhibit significant effect on the ROE (all p>.05).

The deregulation of interest rate as an independent variable did not exhibit significant effect on the ROE (t=-1.416, p=.176 >.05), it means that deregulation of interest rate has no effect on ROE of Jordanian Banks.

##### 4-2 Effect of reduction of entry barriers:

$$\text{Model (2): ROE} = \beta_0 + \beta_1\text{LIQ} + \beta_2\text{SIZE} + \beta_3\text{GDP} + \beta_4\text{DR} + \beta_5\text{reb} + e_i$$

Carrying out a panel regression analysis for model (2) based on ROE, detailed results are presented in table (2).

It was found for this model an explained variance approximately 57.5% (adjusted R<sup>2</sup>=.575), the model is significant (F=6.693, P=.002<.05).

The only control variable that are significant is the size variable at (t=3.849, p=.032<0.05). Whereas the remaining variables did not exhibit significant effect on the ROE (all p>0.05)

The reduction of entry barriers as an independent variable is significant at .003<.05.

According to the previous results we can conclude that reduction of entry barriers has a significant effect on ROE. We can also see from our results that reduction of entry barriers has a negative effect on ROE of Jordanian Banks.

##### 4-3 Effect of reduction of credit control:

$$\text{Model (3): ROE} = \beta_0 + \beta_1\text{LIQ} + \beta_2\text{SIZE} + \beta_3\text{GDP} + \beta_4\text{DR} + \beta_5\text{rcc} + e_i$$

Carrying out a panel regression analysis for model (3) based on ROE, detailed results are presented in table (3).

Table (3) shows the effect of reduction of credit control on ROE of Jordanian Banks. As noted in table, the regression model has the power to explain 46.7% of the sample (adjusted R<sup>2</sup>=.467) and it is significant (F=4.683, sig at .008).

Detailed results for control variables table (4-3) showed that size variable is significant ( $t=2.142$ ,  $p=.048<.05$ ), and liquidity ratio is significant at ( $t=-2.160$ ,  $p=.046$ ).

Reduction of credit control as an independent variable has a significant effect at  $p=.021$ . which means that reduction of credit control has an effect on ROE of Banks. And as the results show that this effect is a negative.

Improvement of prudential regulation has an effect on Jordanian banks' performance as measured by return on equity.

#### 4-4 Effect of improvement of prudential regulation

$$\text{Model (4): ROE} = \beta_0 + \beta_1 \text{LIQ} + \beta_2 \text{SIZE} + \beta_3 \text{GDP} + \beta_4 \text{DR} + \beta_5 \text{ipr} + e_i$$

Carrying out a panel regression analysis for model (4) based on ROE, detailed results are presented in table (4).

It was found for this model an explained variance 46.7% (adjusted  $R^2=.467$ ), the model is generally significant ( $F=4.683$ ,  $P=.008<.05$ )

Detailed results for control variables (table 4) shows that the size variable is significant ( $t=2.142$ ,  $p=.048<.05$ ), and the liquidity ratio is significant at ( $t=-2.160$ ,  $p=.046$ ) .whereas the remains variables did not exhibit significant effect on the ROE (all  $p>.05$ ).

The improvement of prudential regulation as an independent variable is significant at  $.021<.05$ .in which can conclude that improvement of prudential regulation has significant effect on ROE. We can also see from our results that improvement of prudential regulation has a negative effect on ROE of Jordanian Banks.

B. Testing effect of financial liberalization on Jordanian banks' performance as measured by return on asset.

#### 4-5 Effect of deregulation of interest rate:

$$\text{Model (5): ROA} = \beta_0 + \beta_1 \text{LIQ} + \beta_2 \text{SIZE} + \beta_3 \text{GDP} + \beta_4 \text{DR} + \beta_5 \text{din} + e_i$$

Carrying out a panel regression analysis for model (5) based on ROA, detailed results are presented in table (5).

The regression model is significant and explain approximately 53.3% of the sample (adj.  $R^2=.533$ ). The model is significant ( $F=5.794$ ,  $P=.003<.05$ )

We can see that liquidity and debt ratio, as control variables are significant at (.031 and .000) respectively.

The interest rate deregulation as an independent variable is not significant ( $t=-.755$ ,  $p=.450>.05$ ), it means that deregulation of interest rate is not significantly affecting the ROA.

#### 4-6 Reduction of entry barriers

$$\text{Model(6): ROA} = \beta_0 + \beta_1 \text{LIQ} + \beta_2 \text{SIZE} + \beta_3 \text{GDP} + \beta_4 \text{DR} + \beta_5 \text{reb} + e_i$$

Carrying out a regression analysis for model (6) based on ROA, detailed results are presented in table (6).

Table (6) shows the effect of reduction of entry barriers on the return on assets of Jordanian Banks. The model has the power to explain over 70% of the sample (adjusted  $R^2=0.701$ ), and it is significant ( $F=10.834$ ,  $P=.000$ ).

The control variables that are significant are the size, the liquidity, and the debt ratio at (.000, .048, and .000) respectively.

The effect of reduction of entry barriers on ROE is significant at ( $t=-3.147$ ,  $p=.006$ ). According to that we can confirm that there is a significant effect on ROA of Jordanian Banks from the applying of reduction of entry barriers. And this effect is negative.

#### 4-7 Effect of reduction of credit control

$$\text{Model(7) : ROA} = \beta_0 + \beta_1 \text{LIQ} + \beta_2 \text{SIZE} + \beta_3 \text{GDP} + \beta_4 \text{DR} + \beta_5 \text{dcc} + E_i$$

Carrying out a regression analysis for model (7) based on ROA, detailed results are presented in table (7).

Table (7) shows the effect of reduction of credit control on the return on assets of Jordanian Banks.

The model has the power to explain over 66% of the sample (adjusted  $R^2=.66.1$ ), and it is significant ( $F=9.185$ ,  $P=.000$ ). The control variables that are significant are the size, the liquidity, and the debt ratio at (.002, .040, and .000) respectively.

The effect of reduction of reduction of credit control on ROE is significant at  $t=-2.619$ ,  $p=.019<.05$ . According to that we can confirm that there is a significant effect on ROA of Jordanian Banks from the applying of reduction of credit control. And this effect is negative.

#### 4-8 Effect of Improvement of prudential regulation

$$\text{Model (8): ROA} = \beta_0 + \beta_1 \text{LIQ} + \beta_2 \text{SIZE} + \beta_3 \text{GDP} + \beta_4 \text{DR} + \beta_5 \text{ipr} + e_i$$

Carrying out a regression analysis for model (8) based on ROA; detailed results are presented in table (8).

Table (8) shows the effect of reduction of credit control on the return on assets of Jordanian Banks. The model has the power to explain over 66% of the sample (adjusted  $R^2=.661$ ), and it is significant ( $F=9.185$ ,  $P=.000$ ). The control variables that are significant are the size, the liquidity, and the debt ratio at (.002, .040, and .000) respectively.

The effect of reduction of reduction of credit control on ROE is significant at  $p=.019<.05$ . According to that we can confirm that there is a significant effect on ROA of Jordanian Banks from the applying of reduction of credit control. And this effect is negative.

### 5- Discussions of the Results

There is no effect of deregulation of interest rate on the performance of Jordanian Banks, because there is no total deregulation of interest rate in Jordan, due to the intervention of CBJ in regulating the interest rate. CBJ follow up local, regional and international economic developments and make any amendments it deems necessary to serve the economy. As well as the last decision in 21-02-2010, according to CBJ statement, the decision of the bank's open market committee, to lower the discount interest rates reflects the need to continue adopting monetary and credit facilities policies to boost economic demand and to enable the Kingdom's economy to resume faster growth after the felt slowdown it went through last year. The move is the fifth step by the CBJ since November 2008 to stimulate economic growth.

There is a negative effect of entry barriers reduction on the performance of Jordanian banks. The deregulation of entry barriers to the banking industry is not deemed as tenable because the foreign banks are more developed than domestic banks, and it may lead to over competition and excessive risk taking, thus, it compromises the stability and soundness of the banking system. So the reason for the negative productivity impact of reduction of entry barriers was the low level of competitive intensity of the Jordanian banking sector, which reduced pressures on banks to improve operating efficiency.

The negative effect of reduction of credit control on performance of Jordanian bank because banks in Jordan demand higher value collaterals in order to guarantee the payback of the loan, and not to lose money in case of default. Bank demand greater collaterals as the size of the loan are great too. But this is not consistent with the social situation of the Jordanian society, where more than 70% are below the poverty

level. So, we can say that Jordanian banks are quite high on the scale of not performing loans, or loans that are close to default.

There is a negative effect of improvement of prudential regulation, we can explain this negative effect by the following: the borrowers benefit from stricter capital regulation while depositors are hurt. A higher capital standard reduces the extent to which banks can rely on deposit financing. Banks, thus, compete less aggressively for deposits, reducing the equilibrium deposit rate. So the decrease in the deposit rate causes a decrease in the marginal cost of deposits, which makes it attractive for a bank to increase the amount it lends.

#### 6- Policy options:

Based on our empirical findings, one can advance the following policy recommendations:

1- Jordanian banks need to be more marketing oriented institutions, by identifying what the clients need, investing more toward human resources issues, transferring international banking practices, and practicing a better internal control procedures.

2- Although Jordanian banks are operating with efficient manner as well as utilizing modern banking methods such as the Arab Bank which is in the process of electronizing all its operations and services, there are still gaps within banks that need to be narrowed or eliminated of these gaps or imperfections come from the bank itself. Either by management –most the time- or by the very few fraudulent cases come from some borrowers the rich and famous ones. Thus, management in banks plays a great role in reducing the size of risks, therefore, there is a need for specialized sections managed by expert, qualified staff in order to control risk.

3. Commercial banks in Jordan must work to know all details about the banking market needs in such a way as to not to conflict with the goals of the banks. They must also know the nature of competition which banks face.

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**Table (1): Regression Results\* to Test the Effect of Deregulation of Interest Rate on Jordanian Banks ROE**

Model 1	Unstandardized Coefficients		Standardized Coefficients	t-Stat	Sig.
	B	Std. Error	Beta		
(Constant)	-1.339	1.112		-1.204	.246
size	.054	.033	1.019	1.642	.120
LIQ	-.002	.001	-.583	-3.067	.007
DR	.437	.543	.416	.806	.432
GDP GROWTH	.160	.116	.321	1.372	.189
Deregulation of Ir (din)	-.043	.030	-.455	-1.416	.176

$F=3.080$ , Sig.at .039, adjusted  $R^2=.331$

\*Estimation was run on 8 banks for the years (1986-2010)

**Table (2): Regression Results\* to Test the Effect of Reduction of entry barriers on Jordanian Banks ROE**

Model 2	Unstandardized Coefficients		Standard	t-Stat	Sig
	B	Std. Error	Beta		
(Constant)	-.347	.666		-.521	.609
size	.047	.020	.890	2.344	.032
LIQ	-.001	.001	-.280	-1.636	.121
DR	-.513	.372	-.488	-1.380	.187
GDP GROWTH	.048	.083	.096	.569	.577
Reduction of EB (reb)	-.074	.021	-1.134	-3.517	.003

F=6.693, Sig.at .002, adjusted R<sup>2</sup>=.575

\*Esimation was run on 8 banks for the years (1986-2010)

**Table (3): Regression Results\* to Test the Effect of Reduction of credit control on Jordanian Banks ROE.**

Model 3	Unstandardized Coefficients		Standard	t-Stat	Sig
	B	Std. Error	Beta		
(Constant)	-.662	.759		-.872	.396
size	.051	.024	.972	2.142	.048
LIQ	-.002	.001	-.393	-2.160	.046
DR	-.262	.397	-.249	-.660	.519
GDP GROWTH	.007	.098	.014	.070	.945
Reduction of CC (rcc)	-.058	.023	-.885	-2.570	.021

F=4.683, Sig.at .008, adjusted R<sup>2</sup>=.467

\*Esimation was run on 8 banks for the years (1986-2010)

**Table (4): Regression Results\* to Test the Effect of improvement of prudential regulation on Jordanian Banks ROE**

Model 4	Unstandardized Coefficients		Standardized Coefficients	t-Stat	Sig.
	B	Std. Error	Beta		
(Constant)	-.662	.759		-.872	.396
size	.051	.024	.972	2.142	.048
LIQ	-.002	.001	-.393	-2.160	.046
DR	-.262	.397	-.249	-.660	.519
GDP GROWTH	.007	.098	.014	.070	.945
Prudential (ipr)	-.058	.023	-.885	-2.570	.021

$F=4.683$ , Sig. at .008, adjusted  $R^2=.467$

\*Estimation was run on 8 banks for the years (1986-2010)

**Table (5): Regression Results\* to Test the Effect of deregulation of interest rate on Jordanian Banks ROA.**

Model 5	Unstandardized Coefficients		Standardized Coefficients	t-Stat	Sig.
	B	Std. Error	Beta		
(Constant)	.059	.170		.347	.733
size	.002	.001	.273	1.763	.079
LIQ	6.649E-5	.000	-.157	-2.177	.031
DR	-.103	.016	-.652	-6.329	.000
GDP GROWTH	.015	.018	.168	.860	.403
Deregulation of Ir (din)	-.004	.005	-.208	-.775	.450

$F=5.794$ , Sig. at .003, adjusted  $R^2=.533$

\*Estimation was run on 8 banks for the years (1986-2010)

**Table (6): Regression Results\* to Test the Effect of reduction of entry barriers on Jordanian Banks ROA.**

Model 6	Unstandardized Coefficients		Standard	t-Stat	Sig
	B	Std. Error	Beta		
(Constant)	.139	.102		1.361	.192
size	.006	.002	.739	3.584	.000
LIQ	-5.913E-5	.000	-.139	-1.988	.048
DR	-.129	.017	-.820	-7.454	.000
GDP GROWTH	.004	.013	.043	.302	.767
deregulation of EB (reb)	-.010	.003	-.852	-3.147	.006

$F=10.834$ , Sig.at .000, adjusted  $R^2=.701$

\*Esimation was run on 8 banks for the years (1986-2010)

**Table (7): Regression Results\* to Test the Effect of reduction of credit control on Jordanian Banks ROA**

Model 7	Unstandardized Coefficients		Standard	t-Stat	Sig
	B	Std. Error	Beta		
(Constant)	.092	.111		.830	.419
size	.006	.002	.674	3.118	.002
LIQ	-6.201E-5	.000	-.146	-2.065	.040
DR	-.124	.017	-.790	-7.124	.000
GDP GROWTH	-.003	.014	-.029	-.183	.857
Deregulation of CC (dcc)	-.009	.003	-.720	-2.619	.019

Model 7	Unstandardized Coefficients		Standard	t-Stat	Sig
	B	Std. Error	Beta		
(Constant)	.092	.111		.830	.419
size	.006	.002	.674	3.118	.002
LIQ	-6.201E-5	.000	-.146	-2.065	.040
DR	-.124	.017	-.790	-7.124	.000
GDP GROWTH	-.003	.014	-.029	-.183	.857
Deregulation of CC (dcc)	-.009	.003	-.720	-2.619	.019

*F=9.185, Sig.at .0.000, adjusted R<sup>2</sup>=.661*

*\*Esimation was run on 8 banks for the years (1986-2010)*

**Table (8): Regression Results\* to Test the Effect of improvement of prudential regulation on Jordanian Banks ROA.**

Model 8	Unstandardized Coefficients		Standard	t-Stat	Sig
	B	Std. Error	Beta		
(Constant)	.092	.111		.830	.419
size	.006	.002	.674	3.118	.002
LIQ	-6.201E-5	.000	-.146	-2.065	.040
DR	-.124	.017	-.790	-7.124	.000
GDP GROWTH	-.003	.014	-.029	-.183	.857
Prudential (Ipr)	-.009	.003	-.720	-2.619	.019

*F=9.185, Sig.at .0.000, adjusted R<sup>2</sup>=.661*

*\*Esimation was run on 8 banks for the years (1986-2010)*