Impact of the Foreign Banks Entry on the Accounting Profits of the Jordanian Commercial Banks (1995-2015)

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ABSTRACT

The objective of this study is to analyze the impact of foreign banks entry on the accounting profits of the Jordanian commercial banks. Study sample included (18) banks and covering the period (1995-2015). The data was obtained from the bank's annual financial reports. The study used an econometric model to measure the relationship between the economic variables; accounting profit, size, foreign entry, equity level, operating expenses and capital scarcity. Before the estimation process, the required econometrics tests were implemented to compare between the different models, including: Panel least squares, fixed-effect model, random- effect model and Hausman test. The study finding presence redacted to appositive and statistically significance of the operational expenses on the accounting profit, and to presence is positive and significant impact of the foreign banks entry on the accounting profits of the Jordanian commercial banks, this effects came through developing the banking work and increasing the competition degree, and attracting technology, which contributed to motivate the Jordanian commercial banks and pushing them to develop their works and services to become compatible with the advanced foreign banks.

Keywords: Commercial Banks, Foreign Banks, Accounting Profit
JEL Classifications: G21, M41

1. INTRODUCTION

The banks play major role in developing the global economic system and practice many activities that enhance the economic growth. Also, the banks seek to develop their performance to make high competitiveness and profitability. Many of the foreign banks had entered in developing countries' markets to develop the banking industry in those countries and to increase their profit.

The banking sector in Jordan has witnessed development in the banking sector, since the competitiveness levels of the operating banks in Jordan has raised, and the banks became more efficient through investment departments inside the banks working to develop the financial and marketing investments (Banks' Guide in Jordan, 2015).

The Jordanian banking system has developed and became diversified since the Jordanian Government started attracting the investments since the past century to improve the financial performance and increasing the economic growth and reducing

unemployment, all of this provided the suitable environment for the establishment of foreign banks in Jordan, this has led to increasing competitiveness and efficacy.

Also, the banking sector became a source for attracting the individuals to deposit in the banks that achieve best revenues, by that became a kind of partnership in work between the banks and the individuals which reflected in the increased confidence in the Jordanian banking sector.

From this appeared the need for keeping the pace with the technology in the banking sector to increase the investment opportunities in the different fields which provided safe environment for the credit, and the individual's satisfaction with the service development of this sector.

The banks are considered one of the most financial institutions that work to attract the deposits from different sectors, and employing them in the loans and other assets (Gitman et al., 2011), and their major function resides in performing the role making the services

available, and diversification from planning, risk management and clients services (Rose and Hudgines, 2012), which encouraged the investment in the banking sector either at the local level or at the foreign level.

The most important functions of the commercial banks are to raise the funds and re-distributing them through the cash deposits and lending from those funds or from the banks residual funds (Wang and Bayraktar, 2005).

Before the entry of the foreign commercial banks in to the Jordanian market the Jordanian commercial banks were established which most of them started the work in the middle of past century (in 1960s) except the Arab bank and Jordan Ahli Bank, t his entry has left great impact on the banking services market, by providing great and multiple banking services and products which resulted in the raise of the competitiveness severity levels (Rajha and Al-Tahani, 2014).

Development of the foreign banks' share from the assets: The number of the commercial foreign banks operating in Jordan concluded by the end of year (2015) eight banks (five Arab Banks and three foreign banks).

Table 1 illustrates assets total ratio of the Jordanian commercial banks and for the foreign commercial banks, since the share of the foreign commercial banks has raised from total assets from (8.22%) year 2003, to its higher levels by the end of year 2009, and by 11.5%.

On the other hand, the total assets of the Jordanian commercial banks formed nearly (88.5%) by the end of year 2009, and the share of the foreign commercial banks from the total assets reduced by 8.12% by the year 2015, and the Jordanian commercial banks total assets reduced to (76.76%) by the end of year 2015.

2. IMPORTANCE OF THE STUDY

This study contributes to analyzing the impact of the foreign commercial banks entry on the accounting profits of the Jordanian commercial banks, since the ease of funds movement through the international agreements under which most of the developing countries joined including Jordan helped in developing the commercial banks activities.

So, it encouraged the foreign banks entry in to those countries to facilitate the commercial exchanges between the countries and increasing the client's confidence from different countries in the presence of banks that guarantee the safety of the commercial transactions.

The importance of this study emerges from determining the impact of the foreign banks entry in the Jordanian banking sector on the accounting profitability.

In addition to that, it is a study conducted on a specialized segment (the commercial banks) from the banking sector, which makes the results revealed from this study more generalizable and accredited because of the homogeneity of the study community and consistency of its activities.

Also, the research in the factors affecting the relation of the foreign commercial banks entry and its impact on the accounting profits of the commercial banks the study topic in Jordan.

2.1. Study Problem

Foreign banks entry should has impacts on the domestic commercial banks' sector, from here, the size of these impacts should be determined, and whether they were positive or negative on the banking sector?

The most important indicator for the banks success is the level of their ability to achieve the profits, and this is an indicator to the banking efficiency its improved performance, and stability of their financial position.

Specifically, this study attempts to answer the follow:
- Is there an impact of the foreign banks entry on the accounting profits of the Jordanian commercial banks?
- Did the entry of the operating foreign banks in Jordan have an effect on the financial performance?

Objective of the study:
- This study aims to determine the impact of the foreign commercial banks entry on the Jordanian banks, regarding the banking profit and competitiveness through.
- Measuring the impact of the increasing foreign commercial entry on the profitability of the Jordanian commercial banks, and its impact on the financial level of the domestic commercial banks for the period (1995-2015).

2.2. Study Hypotheses
2.2.1. The basic hypothesis of the study can be formulated as follows
"There is no impact with statistically significance as a result of the increase entry of the foreign banks on the accounting profits of the domestic commercial banks."

Table 1: Development of the assets distribution between the Jordanian banks and the foreign banks for the period (2003-2015)

Years	Ratio of the Jordanian banks assets to the total assets %	Ratio of the foreign banks assets to the total assets %
2003	91.79	8.22
2004	90.71	9.29
2005	90.56	9.44
2006	90.02	9.98
2007	91.00	9.00
2008	88.86	11.14
2009	88.49	11.51
2010	88.58	11.42
2011	88.29	1.71
2012	75.18	11.19
2013	75.02	10.88
2014	76.75	8.97
2015	76.76	8.12

Sources: Association of Banks in Jordan, 2015

It's worth mentioning that the previous studies have concluded the presence of impact of the foreign banks entry on the local banks in the developing countries, including Angelo and Micheal (2001) study which concluded that the foreign entry (FE) reduce the accenting profits and leads to increasing the local banks, ability to compete.

3. THEORETICAL FRAME AND LITERATURE REVIEW

Attracting the foreign banks to work in the banking sector of the developing countries is considered an investment opportunities for the countries with limited resources and characterize by stability, since such entry accompanies with capital inflows that contribute to filling the cash liquidity gap in those countries.

Opening the gate for the foreign investment in the banking sector became necessity imposes itself through the multinational companies which consider one of the globalization's most prominent aspects, and one of the most important outputs of the new economic system, these companies are characterized by their huge size, multi activities and works, and the wide geographic and marketing space, their ability to globalize the production and investment, making strategic alliances to achieve their economic interests, and increasing their market and competitiveness ability, to benefit from the technological process and development, the technical and administrative skills, financial monitoring means and flowing- up their shares currency in the global financial markets, forcing the companies to be oblige to provide guarantees for the financing continuity they need, and attracting those with experts and competences from the host country's individuals, planning and maximizing the revenues and profits on the invested capital in the banks.

The economic theories emphasize the important role of investment in the economic development, and according to the classical theory, profit is the major motive for investment, and the Kenzian theory sees the interest price is important determinant for investment side by side with the capital efficiency.

3.1. Previous Studies

There are many studies that had addressed the accounting profitability including (Al-Kassim, 2005) to know the profitability determinants for the Islamic and commercial banks for al foreign and local banks in the Arab Gulf countries during the period (1997-2004), the most important results were that the commercial banks size is greater than the Islamic banks size, and the presence of negative relation between the bank's size measured by total assets and ratio of total expenditures and the banks profitability.

Awdeh, 2005 study has addressed the profitability of the foreign and local banks operating in Lebanon during the period (1993-2003), the banks were divided according to local and foreign equity, the study concluded that the foreign banks had more profitability than the local banks, and the foreign banks less influenced by inflation compared to the local banks.

Gunsel, 2012 study aimed to determine factors affecting the banks' profitability in North Cyprus Republic through the variables, domestic product, inflation, capital, loans and deposits, it found the presence of positive relation between inflation, interest rate, and profitability, and negative relation between domestic product and capital, size and profitability.

Also Alzu'bi and Issa, 2010 study depend on analyzing the impact of foreign banks entry in Jordan and the Gulf countries, the study revealed the weaknesses and strengths of the local banks, since the entry of the foreign banks has led to the technological development of the local banks, also conducted the encouragement of the foreign banks entry taking in to account not to dominate over the banking sector.

Acheapong, 2013 study addressed the impact of the foreign bank entry on the financial performance of Ghana bank during the period (1975-2008), the study showed that the local banks' revenue has increased during the period (1992-2008), and the foreign bank improved the local banks marginal profitability, and improved the technological performance.

Twairesh, 2013 study investigated the impact of the foreign banks entry on the Jordanian local banks at the equity, inflation, economic growth, profitable assets level, by using data from (13) local and foreign banks, the study concluded the interest rate and the operating expenditures decrease with the foreign banks entry, and the revenues of the foreign banks have negative relation with the accounting profits of the banking sector in Jordan, and these entries have no impact on the Jordanian banks risks, and the economic growth has positive relation with profit and negative relation with marginal interest.

Kareem, 2015 study investigated the banking sector with consider the most impact and profitable based on specific factors of the banks which include return on assets, return on equity, liquidity ratio, administrative efficiency, capital, and assets management.

To achieve the study objective, data from six foreign banks and local banks was taken from the United Arab Emirates for the period (2008-2014) and conducting one way analysis, and correlation analysis to obtain more actual results.

The study concluded the result that the performance of the foreign banks was more better than the performance of the local banks in United Arab Emirates because of the presence of the service competitive environment between the foreign and local banks, since United Arab Emirates became the headquarter of many banks, and the increase in the foreign banks number in the country reduces the local banks profits, reduced the income and lead to increase in the local banks expenditures.

Yaseen et al., 2015 study analyzed the revenues and the competition in the banking system in Jordan during the period (2000-2010), more specifically; the study investigated the impact of foreign banks entry one the banking behavior because of their spread and competitiveness, by using financial data at the level of the operating banks in Jordan. Results indicated that the net profit

margin was positive for the Jordanian banks, but the impact of the foreign banks entry on the financial intermediation cost was not positive, in addition competition, the results indicate that the foreign banks did not make any improvement in the competition situations in the Jordanian banking sector, and the study concluded the result that the foreign banks entry in the Jordanian financial sector did not make the needed change for competitiveness, based on this result, the study recommend that the central bank of Jordan should not assume the precise fact for sufficient opens of the Jordanian financial sector to the direct foreign investment in the financial services, and this openness will lead to improving the local banks performance through the net profit and the competitiveness situation, and the financial and monetary policy makers should focus on other determinants including the risk and loss of loans.

4. METHODOLOGY AND THE STUDY VARIABLES

The descriptive analytical method is used to study the impact of foreign banks entry on the performance of the Jordanian banks, and enhancing that by tables, also using the measurement method to estimate the impacts and conducting the needed tests for the study hypotheses.

To build these variables, the banks' accounting data has been used through the annual financial reports issued by the banks under study and from the central banks and Amman stock exchange, and review the researches, studies, books an thesis that have addressed the topic the impact of the foreign banks on the performance of the local banks, to see the most important results and recommendations in system to enrich the study's theoretical side and to build on t hem to achieve the study goals, the measurement models were used to estimate the impact of the relation between the independent and dependent variables.

4.1. The Study Model
The following Figure 1 illustrates the study models and its independent and dependent variables.

4.2. Defining the Variables
Based on the theoretical background and the applied studies including (Alzu'bi and Issa, 2010; Twairesh, 2013; Timothy, 2003), Bank's size internal in the model since it considers a variable with impact on the accounting profit, also linking the

Figure 1: The study model
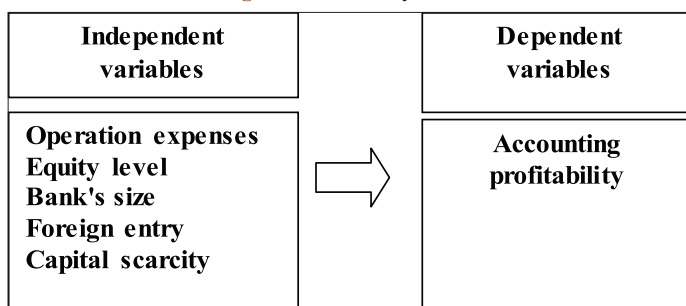
independent variables with the dependent variable to determine the impact of the foreign commercial banks entry on the accounting profitability of the Jordanian commercial banks, and identifying the independent variables and the dependent variables in the study model, as follow.

4.3. Dependent Variable
Accounting profitability: Is the ratio to total net assets pretax profit.

4.4. Independent Variables
- Bank's size: It measures by total assets.
- Operating expenses: Are the total expenses to total asset.
- Equity level: The paid capital.
- FE: Ratio of foreign banks number to total banks.
- Capital scarcity: Discount price minus inflation rate based on that, the financial measure model used to determine the relation between the foreign banks entry and the accounting profits is:

$$ACP_{it} = \alpha + \beta_1 SIZE_t + \beta_2 OE_t + \beta_3 EQUITY_t + \beta_4 SCARC_t + \beta_5 FE_t + U_t \quad (1)$$

α, β_1, β_2, β_3, β_4, and β_5 express the unknown parameters.

ACP, the variable which expresses the accounting profit, size, the variable which expresses the banks size, OE, the variable which expresses the operating expenses, equity, the variable which expresses the equity level, scarce, the variable which expresses (capital scarcity), FE the variable which expresses FE, the U, expresses the random error, and the letter (t) indicates to the current period.

Study sample and community:
- The operating banks in Jordan are subject to monitoring from the central bank of Jordan, and the study community consist of the Jordanian and non-Jordanian banks, their number is (21) bank.

Jordanian commercial banks (13) bank, Table 2 illustrates the names of the commercial banks in Jordan and date of their establishment, while Table 3 illustrates the names of the foreign commercial banks and the data of their establishment.

Study sample:
- A sample is selected representing the banks according to the availability of the needed financial data about the foreign and local banks, and the published accounting data for banks is used, including the study variables which represents not less than (80%) of the study community, since the sample of the local commercial banks was as follow.

Table 4 illustrates the Jordanian commercial banks their financial data was used for the purpose of study analysis.

4.5. Foreign Commercial Banks
Table 5 illustrates the foreign commercial banks which their financial data was used for the purposes of study analysis.

Table 2: Jordanian local banks and date of establishment

The bank's name	Date of establishment
Arab Bank	1930
Jordan Ahli Bank	1956
Bank of Jordan	1960
Cairo Amman Bank	1960
The Housing Bank for Trade and Finance	1974
Jordan Kuwait Bank	1977
Jordan commercial bank	1978
Jordan Arab Investment Bank	1978
Invest Bank	1989
Arab Banking (Corporation) Jordan	1989
Union Bank	1991
Societe General - Jordan	1993
Capital Bank	1996

*According to the Jordanian Banks Guide

Table 3: Foreign commercial banks in Jordan and date of establishment

The bank's name	Date of establishment
Egyptian Arab Land	1951
Rafidain Bank	1957
Citi bank	1974
Standard Chartered	2002
National Bank of Kuwait	2004
Bloom Bank	2004
Bank Audi	2004
National Bank of Abu Dhabi	2009

*According to the Jordanian Banks Guide, 2014

4.6. Measurement Analysis

For test the impact of the foreign banks entry on the accounting profitability of the Jordanian commercial banks during the period (1995-2015) the researcher used (pooled data regression) through clarifying the relationship between the variables and to show their statistical value, and through the models developed by Claessns et al. (2001), depending on the following estimation methods.

Ordinary least square-which estimates the coefficients and their relation to the dependent variable under the availability of the classical assumptions.

Fixed - effect model; this method assumes that the differences between the different economic units (The banks) is limited to the fixed sector.

Random-effect model: This method treats the fixed sector as random variable and gives more accurate results, since the banks sample is random.

The study sample is used to conduct the appropriate measurement tests, including (Hausman) which depends on (Chi-square) for preference between the different models and selecting the suitable measurement model, then used the estimations results to test the study hypothesis, the test is conducted at significances level (5%) and (10) in consistency with the size and nature of the cross sample.

Firstly, the panel least squares method is used to estimate the parameters of the measurement model explained previously in

Table 4: Study sample from the Jordanian commercial banks

The bank's name
Arab Bank
Bank of Jordan
Cairo Amman Bank
The Housing Bank for Trade and Finance
Jordan Kuwait Bank
Jordan commercial bank
Union Bank
Arab Banking (Corporation) Jordan

Source: Prepared by researcher

Table 5: Study sample from the foreign commercial banks

The bank's name
Egyptian Arab land Bank
Rafidain Bank
Standard Chartered
Bloom Bank
National Bank of Kuwait
Bank Audi
National Bank of Abu Dhabi

Source: Prepared by researcher

equitation (1) following are the results of the estimation results as explained in Table 6.

By using the panel least squares method applied to panel data, it became clear that the variable FE with statistical significance at level (5%) and affecting the variable accounting profit (ACP). And it became clear the variable operation expenses (OE) which is statistically significant at level (5%) and affecting the accounting profit (ACP). And it became clear the variable size (size) with statistical significance at level (5%) and affecting the accounting profit (ACP). all the parameters with statistical significance came consistent with the economic theory, while the significance levels of variables (EQUITY) and (SCARCE) are >5% so, there is no statistically significance, and they do not influence the dependent variable (ACP), also, we notice that determination coefficient (R2) equal (0.48), which means that the independent variable only explain (48%) of the dependent variable (Table 7).

Through applying the fixed effect model to the panel, it became clear that the significance for the variable (OE) which is with statistically significance at level (5%) and affecting the variable accounting profit (ACP), also we notice that the significance level for the variable (FE) statistically significance at level (5%) and affecting the variable accounting profit (ACP). and the significance level for the variable (SIZE) with statistically significance at level (5%) and affecting the variable accounting profit (ACP), while the two variables (equity and scarcity), the significance level for both of them is >5%, so, there is no statistically significance, and they do not influence the dependent variable (ACP), and determination coefficient (R2) is (0.57), which means that the dependent variable explain (57%) (Table 8).

Through applying random effect model to the panel the significance of the variable (OE), is statistically significant at level (5%) and affecting the variable accounting profit (ACP),

Table 6: The estimation results of the panel least squares method

Variable	Coefficient	Standard error	t-statistic	P
C	−16.61486	5.4882	−3.027378	0.0028
EQUITY	−0.746063	0.575884	−1.295509	0.1965
FE	8.57819	2.496749	3.435744	0.0007
OE	−1.290979	0.322508	−4.002935	0.0001
SCARC	−0.07905	0.070907	−1.114846	0.2661
SIZE	3.097063	0.383953	8.066249	0.0000
R-squared	0.481257	Mean dependent variable		15.40352
Adjusted R-squared	0.469729	SD dependent variable		4.333486

Table 7: The estimation results of the fixed effect method model

Variable	Coefficient	Standard error	t-statistic	P
C	−15.2217	11.3093	−1.34594	0.1797
EQUITY	0.072577	0.642633	0.112937	0.9102
OE	−1.50112	0.383688	−3.91235	0.0001
FE	7.811809	3.307343	2.361959	0.0191
SCARC	−0.07495	0.065696	−1.1409	0.2552
SIZE	2.509488	0.619279	4.052275	0.0001
R-squared	0.575007	Mean dependent variable		15.40352
Adjusted R-squared	0.545357	SD dependent variable		4.333486

also, significance level for the variable (FE) with statistically significance at level (5%) and affecting the variable accounting profit (ACP), and significance level for the variable (SIZE) with statistically significance at level (5%) and affecting the variable accounting profit (ACP), while the two variables (equity) and (scarcity) significance level for both of them is >5%, so there is no statistically significance on the variable (ACP) (Table 9).

HAUSMAN test aims to test the best between (fixed effect) and (random effect) according to the following hypothesis:
H_0: Random effect model appropriate
H_1: Fixed effect model appropriate.

If Chi-square test P < 5%, we assume the null hypothesis, which means that fixed effect test is appropriate, while if Chi-square test P > 5%, we accept the null hypothesis, that random effect test is appropriate.

From (Hausman) results, the probability of Chi-square is (1), which is >5%, so we accept H_0, and random effect model is the suitable model, and the estimated model is:

$$ACP i = −19.3256\text{-}1.4118\ OE+7.1578\ FE+2.8206\ SIZE$$

(T-sta = −2.5254) (T-sta = −3.9173) (T-sta = 2.6174) (T-sta = 6.0673) R2 = 0.39778

Table 8: The estimation results of the random effect method

Variable	Coefficient	Standard error	t-statistic	P
C	−19.3256	7.652222	−2.52549	0.0122
EQUITY	−0.12773	0.618358	−0.20656	0.8365
OE	−1.41185	0.360411	−3.91732	0.0001
FE	7.157861	2.73464	2.617479	0.0095
SCARC	−0.07614	0.065685	−1.15914	0.2476
SIZE	2.820654	0.464889	6.067368	0.0000
R-squared	0.39778	Mean dependent variable		6.315879
Adjusted R-squared	0.384397	SD dependent variable		3.712696

Table 9: Illustrates Hausman test

Test summary	Chi-square statistic	Chi-square df	P
Cross-section random	0	5	1

4.7. Foreign Commercial Banks

Firstly, using the panel least squares to estimate the parameters of the standard model previously explained in equation 1 (Table 10).

Through using the panel least squares applied to panel data, it is clear that the significance of the variable FE significant at level (5%) and affecting the variable accounting profit (ACP), while, there is no statistic significant of other variable on the dependent variable, and the determination coefficient (R2) is (0.18) which means that the independent variables explain (18%) of the dependent variable (Table 11).

Through the fixed effect model it is clear that the significance for the variable OE, which is statistically significant at level (5%) and affecting the variable accounting profit (ACP). we also notice that the significance level for the variable FE with statistically significance at level (10%) and affecting the variable accounting profit (ACP), and significance level for the variable (Size) with statistically significance at level (10%) and affecting the variable accounting profit (ACP), while for the two variables (equity and scarcity), significance level for both of them is >10%, so, they do not have statically significance on the dependent variable (ACP), and determination coefficient (R2) is (0.45), which means that the independent variables explain (45%) of the dependent variable (ACP) (Table 12).

It is clear from random effect model that the significance for the variable OE which is with statistically significance at level (5%) and affecting the variable accounting profit (ACP), the significance level for the variable FE, with statistically significance at level (5%) and affecting the variable accounting profit (ACP), while the variables (equity), (size), and (scarcity), their significance level is >5%, so, they do not effect with statistically significance on the dependent variable (ACP) (Table 13).

HAUSMAN test aims to test the best test between (random effect) and (Fixed effect) according to the following hypotheses:

Table 10: The estimation results of the method panel least squares

Variable	Coefficient	Standard error	t-statistic	P
C	28.25562	15.82552	1.785446	0.0776
EQUITY	−1.05786	1.2658	−0.83572	0.4055
FE	19.75163	6.261156	3.154629	0.0022
OE	0.763849	0.75469	1.012137	0.3142
SCARC	0.074854	0.114559	0.65341	0.5152
SIZE	−0.89227	1.19456	−0.74695	0.4571
R-squared	0.184808	Mean dependent variable		13.96802
Adjusted R-squared	0.13901	SD dependent variable		3.835665

Table 11: The estimation results of the method fixed effect test

Variable	Coefficient	Standard error	t-statistic	P
C	4.231226	18.01482	0.234875	0.8149
EQUITY	0.431147	1.293841	0.33323	0.7398
FE	10.08123	5.751591	1.752773	0.0833
OE	2.608474	0.911388	2.862088	0.0053
SCARC	0.10678	0.097852	1.091241	0.2783
SIZE	−2.2185	1.313287	−1.68928	0.0949
R-squared	0.450287	Mean dependent variable		13.96802
Adjusted R-squared	0.377433	SD dependent variable		3.835665

Table 12: The estimation results of the Random effect method test

Variable	Coefficient	Standard error	t-statistic	P
C	11.41985	16.81002	0.679347	0.4987
EQUITY	0.033141	1.234843	0.026838	0.9786
FE	11.87715	5.64605	2.103621	0.0382
OE	2.120381	0.838327	2.5293	0.0132
SCARC	0.102697	0.097763	1.050465	0.2963
SIZE	−1.87811	1.249397	−1.50322	0.1363
R-squared	0.158817	Mean dependent variable		4.86392
Adjusted R-squared	0.11156	SD dependent variable		3.409689

Table 13: Hausman test

Test summary	Chi-square statistic	Chi-square df	P
Cross-section random	4.22661	5	0.5173

H_0: Random effect model is appropriate
H_1: Fixed effect model is appropriate

If the Chi-square test $P < 5\%$ we reject the null hypothesis, which means that chi-squire test is the appropriate, while if Chi-squire test $P > 5\%$ we accept the null hypothesis, which means that random effect test is the appropriate.

From the results of (Hausman) test the probability of Chi-square is (0.5173), which is $>5\%$, so we accept H_0, and the random effect model is the appropriate and will be the estimated model.

ACP i = 11.4198+11.8771FE+2.1203 OE

(T-sta = 0.67934) (T-sta = 2.10362) (T-sta = 2.5293) R2 = 0.1588

5. RESULTS AND RECOMMENDATIONS

This study aimed to know the impact of the foreign commercial banks entry on the accounting profits of the Jordanian commercial banks during the period (1995-2015).

After conducting the required tests to achieve the goal, the study concluded a group of results, as follow.

There is no impact of equity level and capital scarcity on the domestic and foreign banks regarding the accounting profit, while it is found that the variables, operating expenditures, FE, and the size have the impact with significance on the accounting profit of the domestic commercial banks.

The FE has direct relation with the accounting profit of the domestic commercial banks, because it leads to developing the services to the individuals and increasing competition, reducing the provisions for loans to motivate the banks to achieve profitability.

The operating expenditures have indirect relation with accounting profit, the more the expenditures, the less the accounting profit for the domestic banks.

The greater banks' size the greater profitability since the capital increase and the banking services cover wide segments.

While the foreign banks did not affected by the size or capital scarcity and equity level, still achieved positive the impacts by interring the Jordanian Banking sector regarding achieving accounting profits and that is actually the reason for their reentrancy in the Jordanian market and their ability to reduce the operational and administrative expenditures.

Based on the light of the above results, the study recommendations the following:
- The work for creating an environment to facilitate the investment in the banking sector and overcoming the difficulties encountering any foreign banks entry from the economic side and regarding the encouragement of the foreign investment entry in the Jordanian markets.
- Encouraging the Jordanian banks to follow-up the development in the banking sector to increase their competitive ability to attain the positive impact on the Jordanian economy.
- Encouraging the Jordanian commercial banks that do not have branches outside Jordan to enter the global market to

benefit from the investment opportunities in some of the stable countries Europe and gulf countries.

It is worth mentioning that this study did not cover other dimensions in the foreign and local commercial banks, and the field remains open to cover other sides relating to the study's variables and model to contribute to know the additional economic dimensions for the foreign and local commercial banks, and the field remains open to cover other sides relating to the study's variables and model to contribute to know the additional economic dimensions for the foreign entrance on the indicators the accounting profit and competitiveness.

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