

The Impact of Global Financial Crisis on Presented and Returned Checks in Jordan

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Abstract

The aim of this paper is to investigate the impact of global financial crises on the presented and returned checks in Jordan. For this purpose we collected imperial data from central bank, New York stock exchange and Jordanian department of statistics. We collected the data of 15 years to run the analysis. We used bivariate Pearson correlation and multiple regression techniques to check the relationship between GFC and presented and returned checks and what is the effect of GFC on the both presented and return checks. According to bivariate Pearson correlation results there is a positive relationship between presented and returned checks. This result has also shown there is a strong relationship between Dow Jones market drop and increasing presented checks. The multiple regressions have shown that there is a significant effect for GFC on the presented checks in Jordan and a negative relationship between GFC on return checks in Jordan. In this study also analysis of other Arab countries. **Keywords:** bivariate Pearson, Dow Jones, GFC, Arab countries, Jordan, central bank

Introduction

The global financial crisis was spread in 2007 very quickly in different countries like Europe and other countries. Financial crises have an impact on the financial system and all the economic performance of the country. According to IMF report (2008) financial crisis has a very bad impact on the global economy. Financial crisis is such a storm that no country can save from it. According to Malik et al. (2008) global financial crises started from the US and spread till many industrial countries like Japan and these countries' economy has been badly affected due to these financial crises. According to Yermeyeva (2008) the effect of global financial crisis is not only till developed countries but also has an effect on the whole world. According to IOSCO (2007) global financial crisis has a very worst impact on the emerging markets. According to Didier et al. (2012) due to financial crisis emerging markets are suffering from growth collapse. According to Chowdhury (2010) concluded that financial crisis cuts the boundaries of all the developing and under-developing countries. According to Ali and Afzal (2013) financial crisis has spread in real sectors and financial sector. According to Li and Li (2013) revealed that the economy has been hurt from different extents. At the end, (2014) have mentioned that global financial crisis has a negative impact on business and economic development of different countries. According to Tinio (2009) financial crisis has an impact on different countries and it is dependent on that country that how they face all these problems. Due to these financial markets have been badly affected. According to Abreu et al. (2008) due to financial crises reduced import export and foreign investment of any developing and under-developing country. According to Masood et al. (2010) financial crisis is a main threat for financial market. Due to financial crises the unemployment rates are increasing very huge level. In most of the OECD countries the financial crises are the result of global recession.

According to Kenawy and Abd-el Ghany (2013) the impact of global financial crisis on the Egyptian is different. It varies from sector to sector and the effect of European countries has been badly affected. According to Gijbbers et al. (2012) global financial crises are caused by a decline in house prices. According to Benarouï (2012) due to financial crises the prices of real and financial assets fell. According to Armeanu et al. (2012) the financial crises have an impact on the stock exchange. According to Kondawar and Jadhav (2012) due to financial crises the people have reduced their consumption habits. Many researchers have tried to find out the reason of global financial crises and their impact on the economy and others are trying to find out what is the impact of these crises on the economy. Different practitioners have various policies that have an impact on the prices of oil. According to Gherghel (2009) financial crises are due to an increase or decrease in oil prices. Main reasons of global financial crises are: 1) failure in global imbalance, 2) the absence of transparency in the financial market, 3) due to poor national regulatory, 4) and lack of good international regulatory coordination. According to Gros and Alcidi (2011) combination of asset price bubbles is a reason of global financial crises. According to Chowdhury (2012) inefficiency of the banking system is due to the reason of global financial crisis. According to Yildiran and Uzun (2014) global financial crisis is due to failure in the banking system and uncertainty of business conditions. According to Jayasree (2012) financial crisis is such a situation in which by the demand of money the supply of money is increased. Different studies have approved that financial markets are not able for more productive investment. Other practitioners have reviewed the government decision making about related to global financial crisis. According to Gros and Alcidi (2010) the cost about the impact of financial crises to the economy's growth has been very far. According to Hemen (2013) global financial crisis is a long way to revalidate the theory about the business cycle. Another group is doing working for evaluation of current financial systems. The worldwide authorities have underestimated the magnitude of global financial crisis. Global financial crisis is a big challenge for export to view what the reason of

these problems .in this paper also study what is effect of financial crisis on Jordan .tells about what is impact of presented and returns checks in Jordan .with the evolution of GDP we can measure on intensity on the Jordanian economy .for this purpose we can evaluate current situation variables with pre bubble period.the main theme is to investigate the effect of GFC n the present and return check.

Research question

- 1) Relationship of global financial crisis with presented and returns checks in Jordan.
- 2)how much financial crisis have affected returned checks in Jordan.
- 3) How much financial crisis has affected presented checks in Jordan.

Objectives

The purpose of this study to check the effect of financial crisis on the presented .and returns checks .The main purpose of this research is to give recommendations about the GFC and different variables of the economy. This paper also gives advice how organization and government deal with such types of crisis.

Research importance and scope

In this paper have discussed about the different economic variables and global financial crisis impact on them .this content also tell properly about the global financial impact on different countries.

Literature review

Addabbo.T, Aziz f and readron (2010) has shown in their paper that financial crisis has significantly increased unempolment rates .in this paper compare effects on different inequality income in USA and Italian labour market.in this paper has constructed a microsimulation analysis.in the first sector of the paper has described the economic parameters in the US and Italian labour market.

Aham and Augustine a(2012) has explained that impact of gobal finanacial crisi on the GDP of the economy of Gordan.for this purpose they have used 8 years data.in this paper Bivariate pearson correlation analysis and represent that there is significant correlation between the variables and multiple regression has shown that there is no significant between Jordain GDP and new york stock exchange GDP variable.

Block J and Sander.p.(2009) has analysed that impact of financial crisis on the US internal firms.for this purpose he used a regression ananlysis and their results have shown that financial crisis have negative relationship with the US internal firms.

Mamata,t(2011) in this paper has worked out on the financial crisis impact of the FDI inflows of indian .for this purpose he has used the secondary data and show that financial crisis has impact on the indian s economy.

Anyanwu,O.j(2011) has analysed the impact of financial crisis on the development of Subsaharan Africae and explained that what policy should be implemented .he has used VAR model and results shown that Global financial crisi has very bad impact on the sub stharan Africa.

ESCWA(2009) has worked out on the gobal financial crisis on the international oil market.in this paper has discussed about the oil crisis impact of GULF cooperation council in 2009 and he has used regression ananlysis and take the results that oil crisis has bad impact on the economy.

DeBarros,J.R.m(2010) has described about the impact of international financial crisis on the Brazil economy and shown that every country facing a challengers about the financial crisis.

Kyophilavong,p.(2012) has described that impact on financial crisis on Lao economy .for this purpose he has used (CGE) model which is known as GTAP model. And his results showed that GFC has negative impact on the economy.

Booramn.j.(2009) has discussed about the financial crisis its impact and policy related to the financial criis.for this purpose he has used the secondary data and takes the results that government should work out on the impact of financial crisis.

Channeer ,Z.A and Ram,n.(2011) has discussed about the financial crisis on the textile industry of Pakistan .in the purpose has discussed that after financial crisis 1930s most of the business affected very badly .the key business is the textile .for the analysis of impact of financial crisis on the textile industry carried out the case of the Fateh textile industry .Data was collected from vertical analysis and their results has shown that after financial crisis the industry sector was disturbed actual desperately.

Ali and Afzal,m.(2012) has explained in their paper that from where the financial crisi has started.the basic purpose of this paper is that impact of financial criis on indian and Pakistan stock exchange .for this purpose used EGARCH model and found that there is negative relationship between financial crisi and stock exchange of indian and Pakistan.

Badea,l.(2012) has shown that impact of financial crisis on the capital market on the Romania.the purpose of this paper is to show the statistical linera regression that has influence on the capital market and

Results have shown that investors are not always rational.

IOSCO(2009) has explained impact of financial crisis on the emerging markets. the consultation report has provided results about the financial crisis impact.

Alzoubi, t.(2013) has explained in his paper impact of financial crisis of the non listed firm of the Jordan. he has used the data from periods to 2001 to 2011. according to his results that cash holding is positive relationship with the firm value.

Manta A and Nanu, R.(2010) has described the impact of global financial crisis on the management of the banking system. for this purpose they have taken banks of Romania and used the VAR model. they have found negative relationship between global financial crisis and Romanian banking system.

Methodology

The aim of the study is to investigate the effect between Jordan economy and financial crisis of the world. it is not possible that that we evaluate the effect of GFC on all variables we have taken few variables for this purpose. for example return and presented checks. the study is started from literature review and discussion of different experts which tell about the effect of GFC on the Jordan's economy. we have taken imperial data from Jordanian department of statistics and New York stock exchange. the data is analyzed with the help of SPSS. we have used bivariate Pearson correlation and multiple regression for the purpose of checking GFC effect on the presented and returned checks.

Data analysis

Table(1) shows very clearly presented checks were increases in 2009 compared with 2008. on the other side return checks increased during 2008 and increased during in 2009 compared to 2007.

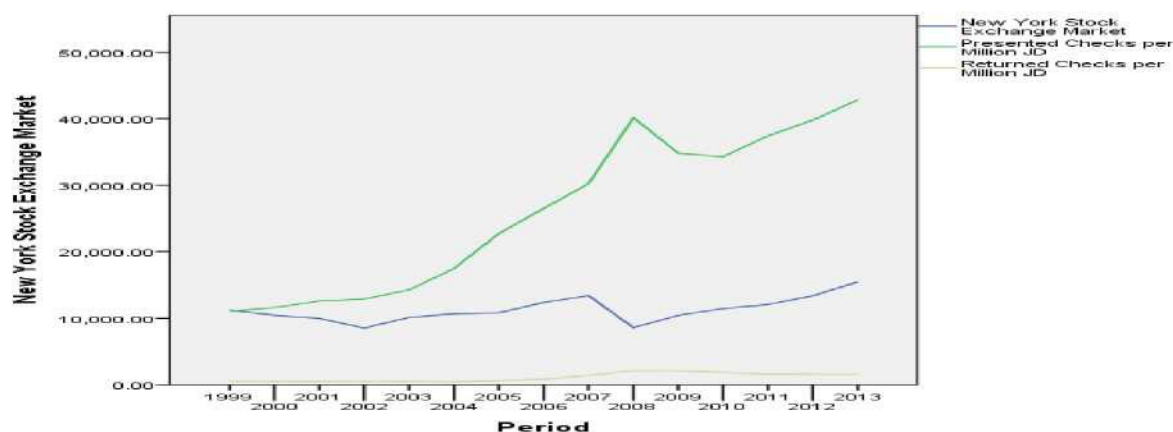
Year	Dow Jones 30	Presented Checks	Returned Checks
2000	11246.37	11055.40	508.60
2001	10440.97	11622.70	495.00
2002	9979.89	12584.70	516.50
2003	8526.67	12904.80	487.60
2004	10124.67	14269.30	498.10
2005	10673.39	17494.20	467.30
2006	10827.78	22732.30	623.80
2007	12377.63	26521.70	798.10
2008	13407.03	30233.80	1405.60
2009	8595.57	40175.90	2125.50
2010	10433.45	34830.70	2129.40
2011	11465.27	34305.40	1878.80
2012	12075.69	37448.80	1567.80
2013	13380.66	39807.00	1558.50
2014	15471.71	42852.10	1525

Bivariate Pearson correlation analysis

Before running the technique multiple regression technique we shall answer the question that if there is any correlation between selected variable of the Jordanian economy. and table no 2 shows that there is strong correlation between present checks and return checks. matrix also shows that there is strong relationship between presented checks and return checks where are equal 0.902. matrix also shows that there is strong relationship BETWEEN DOW Jones market and presented checks, no at 0.05 nor at 0.01.

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No.		1	2	3
1	Presented Checks			
2	Returned Checks	0.902**		
3	General Index (NYSE)	0.522*	0.260	

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2tailed).

Variables	r	R ²	F	Sig.
All Selected Variables	0.726	0.527	6.657	0.012

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8581.204	909.206		9.439	0.000
	Presented Checks	0.246	0.73	1.569	3.427	0.006
	Returned Checks	-3.317	1.306	-1.164	-2.541	0.027

Table no 3 shows that there is effect for GFC on both present and return checks.

1) it is clear from data there is positive effect for GFC on the Jordan where beta=1.569, t

T=3.426, sig.0.005 therefore we can say that first null hypothesis is rejected and other is accepted.

2) there is negative relationship between Jordan and GFC, where beta=-1.164, t=-2.540, sig.

Conclusion

These results have shown that there is sudden increase of presented checks in 2009 as compared with 2008. this indicate that there is direct effect GFC on the presented and returns checks in Jordan. A bivariate pearson correlation analysis that there is strong relationship between presented checks and return checks. also shows that there is significant relationship between Dow jones market drop and presented checks. the multiple regressions show that there is strong relationship between presented and return checks. the multiple regressions shows very clearly that there is significant relation between presented and return checks with NYSE. this paper has shown that GFC show the 52.7% variation in the presented and return checks. results have shown that there is a positive effect for GFC on the presented checks and negative effect for GFC on the return checks.

Limitations

The different variables of Jordan are not present the full picture of Jordanian economy. therefore take other variables for future studies. this is questionable Jordanian results to other country. my further testing is on the other country economies.

Practical implications

This study highlights the relationship between GFC and Jordan's economy. This paper shows the significant relationship between GFC and Jordan's economy. This paper is very helpful for the practitioners to understand the effect of GFC on other countries and also help them to design to make latest strategies to stay away such type of the challenges.

Research added value

There is a lot of studies which investigate about the relationship between GFC and other variables but in this study discusses about the effect of GFC on the presented and returns checks. Therefore this is an initiative study which describes all the aspects of GFC.

The learnt lessons

The global crisis is giving lesson that if anything will happen in one country then it will affect in another country. In the world people are affected very badly due to financial crisis. For example 11th September financial crisis is an example that its consequences spread all over the world. We have learnt more that how we can prevent from these types of disaster and how we can reduce its impact.

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