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

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Abstract:

The purpose of this study is to investigates the effect of global financial crisis (GFC) on the presented and returned checks in Jordan i.e. cause-affect perspective research. The imperial data were collected from the Jordanian Department of Statistics, Central Bank of Jordan, and New York Stock Exchange (NYSE) market data base; the data covered 15 years from 1999 to 2013 to run the analysis. A Bivariate Pearson Correlation and Multiple Regressions were used to test the relationships between GFC and presented and returned checks and the effect GFC on presented and returned checks. A Bivariate Pearson correlation analysis shows that there is a strong significant correlation between presented checks and returned checks. Also, it shows that there is a significant relationship between Dow Jones market drop and increased presented checks. However, it shows that there is no significant correlation between Dow Jones drop and the returned checks. The multiple regressions show that there is a positive effect for GFC on presented checks for clearance in Jordan, and there is a negative effect for GFC on returned checks in Jordan. Generalizing Jordanian results to other countries may be questionable. Therefore, this study recommends extending the analysis to other Arab countries to mitigate the issue of generalizing conclusions on other countries. This study also may be considered as an initiative study which considered the effect of GFC on presented and return checks in Jordan.

Introduction:

The global financial crisis (GFC) which began in the United States (US) in the sub-prime mortgage market in 2007 spread quickly to Europe and other countries and has become a global crisis. It has affected financial systems, as well as, economic activity of all countries; also it almost has affected all sectors of economies worldwide. IMF (2009a) reported that the global economy went through a period of unprecedented financial instability in 2008–2009, accompanied by the worst global economic downturn and collapse in trade in many decades. No country escaped the reach of this economic storm. Malik, et. al., (2009) stated that the GFC which set off by the sub-prime credit crisis in the US has destabilized the financial markets of the developed world causing the fall down of prominent names in the banking business. Tinio (2009) said the GFC which started from US and spread over other highly industrialized countries like Japan and European countries has affected the economy of many countries. Yeremeyeva (2009) pronounced that the GFC has affected the whole world, not only the developed countries, but also emerging economies and least developed countries. IOSCO (2009) said the GFC showed that emerging markets are integrated with the global financial system; therefore emerging markets are now more interlinked and exposed to more risks. Didier, et. al., (2011) claimed that emerging market economies suffered growth collapses comparable, or even larger, to those experienced by advanced economies during the crisis. Chowdhury (2011) concluded that the financial crisis has send shock waves cutting across boundaries and economies. Ali and Afzal (2012) proclaimed that the GFC started from US, spread all over the world and adversely affected real and financial sectors of developed, as well as, developing countries Li and Li (2012) revealed that the subprime crisis of the U.S. led to a GFC, the economy of many counties was hurt in different extents. Singhal (2014) stated due to globalization the economic crises and their spread are increasing. The origin may be different but the tremors are being felt in different parts of the world. Kazi, et. al., (2014) said the GFC that originated from U.S immediately spread over the 16 Organization for Economic Co-operation and Development (OECD) members. Finally, Iyortsuun and Akpusuugh (2014) mentioned that the GFC has negatively impacted the business and economic development of many nations, both advanced and emerging countries.

The GFC was having different effect on different countries, and even more, within the same country different effect on different sectors. The degree of how it affected the various economies throughout the world was depending on how well and how skillfully each country has managed its available resources in terms of manpower, finance, equipment, facilities and supplies (Tinio, 2009). The impact of the GFC on emerging markets has manifested itself in different ways, depending on a number of factors relating to the depth and development of the various capital markets (IOSCO, 2009). The GFC which started in developed countries reduced foreign investment and demand for imports of commodities and labor-intensive products (Abreu, et. al., 2009). The GFC has collapsed financial markets which in turn affected lending and investments opportunities that led to decline in exports due to decrease in demand (Yeremeyeva, 2009). The GFC sparked by the US subprime is now posing a serious threat to global financial markets; based on its severity some financial institutions were collapsed (Masood, et. al., 2010). The GFC has significantly increased unemployment rates across the globe with differential effects on living standards (Addabbo, et. al., 2010). The global recession is likely to result in higher structural unemployment for some time in many OECD countries (Guichard and Rusticelli, 2010). The GFC affected microfinance institutions (MFIs) as lending growth was constrained by scarcer borrowing opportunities, while the economic slowdown negatively impacted asset quality and profitability (Bella, 2011). The effects of the GFC on the Egyptian labors were fluctuated and have different effect from a sector to another according to the significance and extent of relationship to the external world (Kenawy and Abd-el Ghany, 2012). The effects of the GFC on the European economy have been strong and pervasive. Both GDP and employment have been severely affected (Gijsbers, et. al., 2012). The GFC has caused unprecedented decline in house prices across the globe, particularly in the UK (Benamraoui, 2010). During GFC the prices of real and financial assets fell substantially in the UK (Banks, et. al., 2012). The financial markets crisis had a high impact on the stock exchange, affecting mostly the emergent markets, such as Romania (Armeanu, et. al., 2012). Because of this crisis, the investments and consumption decreased in the economy (Kua, et. al., 2012). Due to GFC, the majority of consumers have to reconsider their consumption habits and reallocate budgets (Kondawar and Jadhav, 2012).

Since GFC occurs, some academicians and practitioners were trying to investigate cause and explain the reasons behind this disastrous phenomenon, while others were trying to study its impact on the world economy, as well as, each country economy. A situation of economic and social policies has influenced the price of oil since 2008; the price growth has contributed significantly to generating economic crisis globally. Crisis also generated effects on oil prices by decreasing demand and subsequent price of oil (Gherghel, 2009). Some of the causes of the GFC are clear such as the failure to correct the global imbalances that ballooned in the years leading up to the crisis; the absence of the needed degree of transparency in financial markets; the failures of national regulatory and supervisory systems and the absence of sufficient mechanisms for international regulatory coordination (Boorman, 2009). The GFC was caused by a combination of asset price bubbles, mainly in the real estate sector, and a credit bubble that led to excessive leverage (Gros and Alcidi, 2010a). The crisis was precipitated by an unsustainable bubble that artificially inflated economic figures (Gros and Alcidi, 2010b). The cause of the GFC was primarily due to the inefficiency of the banking system to manage their sub-prime asset class (Chowdhury, 2011). The GFC is a set of financial problems that subjects the institutions and organizations to many dangers (Mohammadi and Rashibeygi, 2012). The GFC was due to the problems of excessive borrowing and securitization, and risk management failures in the banking sector (Yildiran and Uzun, 2013). The GFC was caused by the deterioration of aggregate demand, the uncertainty of the business environment, the rate of financial constraints and market collapse of assets (Craciun and Ochea, 2014). After the collapse of Lehman Brothers in September 2008, the global inter-bank financial markets froze in view of large losses suffered by the major financial institutions and the extreme uncertainty over the health of the counterparty balance sheets (Sudesh and Kaur, 2014). Finally, Jayasree (2014) stated that economists have defined financial crisis as a situation in which the supply of money is outpaced by the demand for money. This implies that liquidity evaporates quickly because available money is withdrawn from banks, forcing banks to sell their investments to make up for the shortfall or to collapse. So, the financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities. As a result, a financial crisis can drive the economy away from equilibrium.

Another group of academicians and practitioners invited national and international organizations, governments, decision makers and experts to review and reevaluate the current financial systems and policies. The GFC substantially endangered the financial system stability and imposed a necessary review of the adequacy of existing monetary policy instruments and the development of new ones (Krstic and Jemovic, 2009). The cost of the financial crisis to the real economy has so far remained under-examined, probably because of the difficulty in making such an assessment (Gros and Alcidi, 2010b). The magnitude and intensity of the GFC have been underestimated by authorities worldwide. The uncertainties surrounding future developments remain high (Manta and Nanu, 2010). The GFC has challenged financial experts to explain why the crisis developed, how it is unfolding and what can be done (Edogbanya, 2013). The GFC has shaken the global economic system to the ground determining the economists all over the world to try hard to get the causes and mechanisms of the crisis right (Craciun and Ochea, 2014). The GFC went a long way to revalidate the business cycle theory and therefore reminded us of its possible re-occurrence (Hemen, et. al., 2014).

If all countries are affected by GFC, what about Jordan? Jordan is capitalist country with an open or free market system, it is situated in mid of the world (Middle East) and has very good commercial and political relationships with many countries all over the world, such as US, UK, European counties, Asian countries, as well as, Arab countries. So what is the effect of the GFC on Jordanian economy? What is the effect of GFC on GDP, trade (import and export), government, consumers…etc? Finally, what is the effect of GFC on presented and returned checks in Jordan? Actually, it is not enough to look simply at the fall in GDP to measure the severity and intensity of the GFC on Jordanian economy. The current situation should be compared to a pre-bubble period as a benchmark for all Jordanian economy variables. But, it is not possible to include all Jordanian economic variables within one research paper, at the same time, not all Jordanian economic variables have been affected equally. So, the theme of this research paper is to investigate the effect of the GFC on selective variables of Jordanian economy, which are presented and returned checks.

This research paper aims at answering the following questions:

Do GFC have relation with both presented and returned checks in Jordan? .1
Do GFC have affected presented checks in Jordan? .2
Do GFC have affected returned checks in Jordan? .3

The first question will be answered by Bivariate Pearson Correlation and multiple regressions. While, the second and third questions will be answered by test the following hypotheses through multiple regressions:

First hypothesis: FGC did not impact the presented checks in Jordan, at $\alpha \leq 0.05$.

Second hypothesis: FGC did not impact the returned checks in Jordan, at $\alpha \leq 0.05$.

Research Purpose and Objectives

This study investigates the effect of GFC on the presented and returned checks in Jordan i.e. cause-affect perspective research. The main objective of this research is to provide sound recommendations about the relationship between GFC and selected variables of Jordanian economy, to traders, organizations, industries, decision makers and Jordanian government. Also, to provide advices on how the people, organizations and government should deal during crisis.

Research Importance and Scope:

A better understanding of the effect of GFC on different Jordanian economy variables draws conclusions that can be beneficial not only for Jordanian people, but also to organizations, institutions and policy makers including government. The content also may be of an interest to academic studies related to the effect of GFC on different countries and sectors.

Literature Review:

It seems that there is consumes among scholars, practitioners, experts and decision makers about the following points: The GFC that started from US has affected all economies allover the world. The effect was different from country to country and from sector to sector within same country. In the coming session, due to limited space of research paper, we will take only a snapshot from selected previous literature. Her we will review selected papers which highlight the effect of GFC on different countries; we will divide the section to paragraphs based on continents. We will start from general global effect of the crisis, then its effect on American continent, followed by Europe (West and East), Asia, Africa and finally we will go to Arab countries including Jordan.

General:

Gherghel (2009) presented the global energy problem as cause and effect during the economic crisis, because a higher oil price determines two phenomena: deflation and inflation. Deflation represents the decreasing purchasing power of people, and inflation occurs when the price of oil increased prices of transport, fuel products and basic utilities. The global energy problem is an effect of an economic crisis because, after increasing prices and a decline in purchasing power decreases demand for oil worldwide, it decreases production and thus lowers the price of oil, which deepened the economic crisis. Malik, et. al. (2009) claimed that the primary cause of this crisis can be Banks and other financial institutions in the United States of America which have gone through a long period of inappropriate lending. Another cause of this crisis may be the effect of the GFC was worsened by rising global energy and commodity prices which pushed up inflation. Krstic and Jemovic (2009) said the GFC puts in the spotlight the market illiquidity, which can be resolved only with adequate support of the central bank. UNESCO (2009) stated the GFC affected national economic activities, which in turns affected public revenue. Although all countries were negatively affected by the economic slowdown, the impacts were varied depending on existing national economic structure, connections to the global economy, pre-crisis macroeconomic and fiscal conditions, geographical and economic regions, etc. Ciurea (2009) found that crisis was accompanied with sharp decline in commodity prices and decelerating global demand. At the same time, volatility in many markets has soared, and global economic prospects are currently subject to a high degree of uncertainty. So, the financial turmoil has precipitated a downturn in international trade transactions across the globe. Malik, et. al. (2009) findings supported the fact that the banks in the developing economies will see their credit lines from foreign banks squeezed and the increasing financial flows that these economies have been experiencing are going to dry up. McKibbin and Stoeckel (2009) showed that the GFC had severe economic contraction in global trade and production. Production and trade of durable and non durable goods played larger in trade contraction than GDP. Hinz, et. al. (2009) due to the GFC nearly all economies have already experienced sharp declines in overall employment levels while others are beginning to show a similar decline in the level of earnings. Abreu, et. al. (2009) the GFC started in developed countries, but reduced foreign investment and reduced demand for imports of commodities and labor-intensive products are having profound effects on developing countries.

Brassil (2010) pointed that the GFC has led to increased lending by the International Monetary Fund (IMF) to member countries. The IMF has funded this increase in lending partly by borrowing from member countries; this is the first time borrowing has been used since 1998. Fang and Lee (2011) concluded that financial contagion spreads from stock markets in high-risk countries to those in low-risk ones. Yamarthy (2011) indicated that GFC shocks to credit have a greater immediate impact compared to those of real activity which are milder and more persistent. Didier, et. al. (2011) concluded that emerging market economies suffered larger growth collapses compared to advanced economies during the crisis. Bella (2011) found that microfinance institutions performance was correlated not only to domestic economic conditions but also to changes in international capital markets. Fang, et. al. (2013) study showed that following the subprime-crisis disclosure, the world's top 200 commercial banks exhibited worse performance in asset quality, profitability, liquidity, and growth index, accompanied by risk increases in asset adequacy, managerial ability, profitability, and growth index. Developed markets have suffered a greater negative influence than emerging markets, causing downward pressure on asset adequacy, asset quality, and profitability since the subprime crisis.

American continent:

Block and Sandner (2009) found that the financial crisis led to a 20% decrease in the average amount of funds raised per funding round in US. de Barros (2010) concluded that Brazil felt the financial crisis most strongly at the end of 2008 and industry was particularly affected, but the situation began to improve in the second quarter of 2009. Brazil has shown that it is, along with China and India, in the group of countries that has best weathered the economic crisis. Li and Li (2012) concluded that since Canada relies greatly on the export to US, the sharp downturn of the US economy caused a decrease in demand of import from Canada. The Canadian export also dropped, pulling down the GPD and pushed up the employment rate in Canada. As a result, there was a decrease in income per capita that hurt the housing market. Sikka and Savin (2013) said the GFC had devastating effects on U.S. economy and lead to the global recession. More specifically, unemployment surged, financial institutions collapsed, and consumer confidence slumped as a result of the crisis. Jayasree (2014) stated due to economy equilibrium imbalance and shortage of funding the financial crisis has started in US and serious impacted the stock markets.

European Continent:

Erkkila (2008) concluded that like other developing countries, Russia has been affected by global financial market turmoil. The Russian stock exchange index (RTS) has fallen by around 50% in 2008, compared to 2006. Nash (2009) concluded that since 2008, European garment imports as a whole have decreased by an average 4.5%. The British market showed the steepest decline (9.5%), followed by Italy (3.2%), Spain (2.8%) and France (1.5%). European retailers have reported margin losses as high as 30%. Sopek (2009) showed there was a strong negative correlation between GFC and stock-flow adjustment, the real growth of the GDP and real interest rates in Croatian. Yeremeyeva (2009) the analysis showed that Commonwealth of Independent States (CIS) countries were affected by GFC. Countries that were most integrated into the world economy were affected more than others. Republic of Belarus was not excluded. Matkovic, et. al. (2010) found that in Serbia the first signs of the crisis appeared in the third quarter of 2008, with a drop in exports and in manufacturing output, and continued throughout 2009, GDP decreased in real terms at a rate of approximately 4%. Manufacturing industry output was reduced by a fifth due to reduced demand for Serbian products in the world. Choudhry, et. al. (2010) indicated that the financial crisis impact on labor market indicators was significant: it negatively affects the employment rate and worsens the situation of the unemployment rate in Czech Republic. Gardo and Martin (2010) revealed that the Central, Eastern and South-Eastern Europe (CESEE) region was hit hard in many respects, even harder than other emerging market regions such as Latin America. Addabbo, et. al. (2010) concluded that the effect of the crisis in the USA, was higher than Italy, labor force participation has been decreasing continuously before the crisis, in Italy there is a wide share of the population who are inactive and has been discouraged from undertaking job search actions. Guichard and Rusticelli (2010) estimated increase in structural unemployment due to the crisis at ¾ percentage point in the OECD as a whole. But the unemployment is more in Spain and Ireland. Benamraoui (2010) the GFC has caused unprecedented decline in house prices across the globe, particularly in the UK. Most economic fundamentals have been affected by the credit shortage and failure of many mortgage holders to meet their principal and interest payments. Mayhew (2010) found that in 2010 the Ukraine's economy started a steady recovery from the GFC. However, the recovery was slow due to slow growth rate.

Sbughea (2011) found that the GFC which triggered in the U.S. and spread globally has not spared Romania. The GFC was triggered when problems became particularly acute, and financial markets were unable to perform the crucial role of channeling funds to those who have the most efficient investments. Kondor and Staehr (2011) in Baltic States rapid financial deepening and high financial leverage, both domestically and externally, were followed by larger output losses during the crisis. Wahrig and Vallina (2011) pointed out the economic and financial crisis had generated a decrease in EU governments' revenue and an increase in government expenditures in terms of GDP. This had resulted in substantially deteriorated deficits.

Armeanu, et. al. (2012) the financial markets crisis had a high impact on the stock exchange, affecting mostly the emergent markets, such as Romania, which experienced a severe consequences of the crisis. The effect led to a massive fall in the market value of most of the listed companies. Ganic (2012) concluded in Western Balkans, the impact of GFC has been transmitted on the position banking through several sources, especially through: impact profitability, credit growth has dropped significantly and asset quality has deteriorated markedly. The GFC has a substantial impact on the banking sector of the region. Mekinc, et. al. (2012) concluded that the number of business events held at Slovenian natural spas has not changed during the economic crisis; however, the number of events held to increase stakeholders' loyalty and those held to communicate to the wider public has increased. Kua, et. al. (2012) found that there was above-average decrease of return-ratios of metallurgical companies compared with the other industrial companies, in Czech Republic. The downswing of returns ratios began immediately after the GFC and was deeper than in common industries' companies. Badea (2012) indicated that the Bucharest stock Exchange (BSE) market has been affected strongly by the GFC. Deli-Gray, et. al. (2012) showed that the market of one country cannot be looked at as one homogeneous unit. But generally the expectations, preferences and attitudes of consumers toward the purchase of food and household items in retail stores in Central and Eastern European countries has been affected by GFC. Gijsbers, et. al. (2012) the effects of the financial and economic crisis on the European economy have been strong and pervasive. The financial/economic crisis had the most evident effect on return on equity and employee value added, and on industry sectors: electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities, and construction. Drahokoupil and Myant (2012) the GFC was having different implications on welfare states and the capitalist diversity in the post-communist world, including Eastern Europe and the Commonwealth of Independent States. Trandafir (2012) revealed a strong correlation among reducing wages, taxation of pensions, increased VAT rate, and they have strong impact on number of days of stay and the number of Romanian tourists staying in unit. Karatzanis, et. al. (2012) concluded that after GFC there was a significant increase in the diagnosis of two disorders, namely vertigo and tinnitus, in Greek. Banks, et. al. (2012) found out due to GFC many households experienced a significant wealth shock, in UK.

Millard and Nicolae (2013) showed that since firms have to borrow to finance their research and development (R&D) spending, a rise in the rate of interest paid by firms and the risk-free rate led to a fall in R&D spending, which affects innovation and, hence, reduces total factor productivity growth. In turn, this leads to permanent falls in the levels of output and labor productivity in England. Eernohorsky and Kynclova (2013) revealed that the integration of bond markets in the EU has been deepened, despite the financial crisis. Karasavvoglou and Polychronidou (2014) concluded that in 2008, in countries such as Bulgaria, Romania, Poland, Slovenia, Czech Republic, Albania and Serbia, the growth rate was over 3%, while in Hungary and Turkey the rate was almost zero or slightly positive (Ukraine). The growth rate in the euro-zone was 0.5% and in the EU-27 was 1.0%. One year later, the crisis led to the collapse of almost all the economies of SE Europe, except for Albania and Poland that managed to achieve, despite the crisis, positive growth rates. Kazi, et. al. (2014) provided substantial evidence of shifts in the dynamic correlations and hence confirms shift contagion during the global financial crisis that originated from U.S and spread over the 16 OECD members.

Asian Continent:

Pomerleano (2009) concluded that due to GFC the short-term outlook of the Asian banking systems was negative. In the long run, Asia would continue to be the fastest-growing region in the global economy. Some low income countries such as Philippines and Thailand were able to cope better with the stress than many higher-income countries. Chou and Liou (2009) showed that US still plays an important role in leading the global economy recovery. The global factor plays smaller role after the global crisis on the real effective exchange rate in most Asian emerging economy except China, Hong Kong and Korea. The global factor also plays smaller role on money supply on Euro, Japan, and six out of nine Asian emerging economies. Goldstein and Xie (2009) concluded that the growth declines in emerging Asia during financial crisis have not been, as severe as, those experienced by the Commonwealth of Independent States (CIS) economies. At the same time, Singapore, Hong Kong, Malaysia, and Korea have suffered very large growth declines during this crisis, and even China and India saw their economic growth rates plunge to about half their pre-crisis peaks. Llanto and Badiola (2009) found that the impacts of the GFC vary depending on external and internal factors faced by microfinance institutions MFIs in East Asia. Fidrmuc and Korhonen (2009) concluded that the GFC has had a significant effect on economic developments in emerging Asian economies, and found a significant link between trade ties and dynamic correlations of GDP growth rates in emerging Asian (China and India) countries and OECD countries. Anichshenko (2009) pointed out that the world financial crisis has a pernicious effect on banking system of the Kazakhstan. Due to the crisis there was a devaluation of the national currency, the problem of rising unemployment and inability of population to repay their loans and mortgages. Gunatilleke, et. al. (2009) mentioned that the adverse impact of the GFC has penetrated the real sector and trickled down to the household sector in Sri Lanka. The crisis impact on the household sector has affected poverty alleviation programs, employment, and increased vulnerability of the social groups.

Economic Research Center (2010) found out that the GFC increased inflation rate and unemployment rate in Azerbaijan. Husnuogolu and Guler (2010) showed that in Giresun, the consumers have changed their consumption composition during the crisis. They found that cheapest brand preference has been increased. Results also showed that the life quality has decreased in the crisis period. Zhao, et. al. (2010) indicated that the China-ASEAN trade pattern has not changed fundamentally during and after GFC. However, the trade-pattern indicators of the textile industry and the subfields have been experiencing some quantitative variation during the crisis. Filardo, A. (2011) concluded that the GFC indicated no matter how strong an economy’s fundamentals are, and no matter how resilient it is to domestic economic and financial shocks, economic and financial globalization have opened up potent international transmission channels in Asia Pacific. Chowdhury (2011) stated that in the contemporary world economy no economic system can remain isolated. Indian banking system felt the shock but managed it efficiently. Rodgers and Menon (2011) found that both surged in international food and fuel prices and global financial crisis impacted the Philippine labor market. Results indicated that both men and women experienced declines in the likelihood of employment, especially in manufacturing. Mamata (2011) observed that the low of foreign direct investment (FDI) inflows into several sectors into India are devoid of the declining GDP growth rate which includes the housing sector also. Channar and Ram (2011) revealed that due to GFC large financial institutions collapsed, key businesses failed and wealth of consumer has been lost. Pakistan was not an exceptional case in this regard. The key industry of Pakistan, textile industry suffered huge financial losses in that period.

Ali and Afzal (2012) revealed that the stock markets of Pakistan and India have been affected. The GFC made mild negative impact on stock returns and enhanced volatility in Pakistani and Indian stock exchanges but this impact was stronger on Indian stock market. Mohammadi and Rashibeygi (2012) showed that there is a significant relationship between GFC and comprehensiveness of supply chain risk management in the phases of risk recognition, risk analysis, risk control and risk adjustment in Sepah Bank of Ilam province in Iran. Huy (2013) recognized that after GFC, the risk level, measured by equity and asset beta mean, decreased when leverage increased to 30% and it increased if leverage decreased down to 20% in Vietnam companies. Sudesh and Kaur (2014) concluded that India’s financial sector was not deeply integrated with the global financial system, which spared it from the adverse effects of the GFC and left Indian banks mostly unaffected. Singhal (2014) revealed that due to globalization the economic crises and their spread are increasing. The origin may be different but the tremors are being felt in different parts of the world including India. The financial crisis has adversely impacted India Merchandise exports. Ono and Uesugi (2014) found that Japanese small and medium enterprises (SMEs) were able to deal with the crisis, because loans were extended by main banks and supported by government policy measures.

African Continent:

African Development Bank Group (2009) reported that the GFC affected all the drivers of African growth: prices and demand for primary commodities, capital flows, especially foreign direct investment. Weeks (2009) indicated that the GFC caused a fall in export earnings in Sierra Leone of approximately fifteen percent in 2009 compared to 2008, this decline in exports earnings could result in a fall in national income of almost ten percent. United Nations (2009) reported that the GFC led to contraction in global demand for metals and minerals which has dramatically reduced its prices and revenues and affected the capacity of Governments to meet their economic and social obligations and rapidly raised redundancies and unemployment. Major job losses have been experienced in the Democratic Republic of the Congo, South Africa and Zambia. Valeta and Banda (2010) concluded that in Zambia, the crisis has not only affected the levels of business in the tourism sector, but also the conditions of employment and the staffing levels. Anyanwu (2011) found that the GFC has had a significant impact on the region of sub-Saharan Africa. However, it is clear that recovery in sub-Saharan Africa is linked to recovery in the global economy. Kyophilavong (2012) showed that the GFC has a significant negative impact on Lao economy by declining real GDP, welfare and trade balance. Ashamu and Abiola (2012) revealed that the GFC has caused depression of the Nigerian capital market and drop in the quality of part of the credit extended by banks for trading in the capital market. Yakubu and Akerele (2012) found that the GFC has no significant effect on the Nigerian Stock Exchange. Maredza and Ikhide (2013) showed that the financial crisis was the main determinant of bank efficiency, indicating that total factor productivity efficiency was 16.96% lower during the crisis period compared to the pre-crisis period in South Africa. Tanga and Tangwe (2014) the GFC has contributed significantly to the continuous deterioration of socioeconomic conditions of social grant recipients in South Africa, therefore it increased poverty. Okeke and Ukonze (2014) revealed 18 challenges and 16 opportunities of GFC on agri-business management for entrepreneurs in Anambra state, Nigeria. Hemen, et. al. (2014) showed that the GFC affected economic growth, consumption and investment negatively, this effect was more significant on investment than on consumption and Gross Domestic Product in Nigeria. Iyortsuun and Akpusuugh (2014) revealed that the GFC had some effects on business development in Nigeria.

Arab Countries including Jordan:

Woertz, (2008) stated as Golf Corporation Council (GCC) countries have enjoyed large inflows due to high oil prices and have diversified portfolios, the impact of GFC is probably manageable. Arab Countries League (2009) concluded the GFC has greatly affected world economies and the GFC may lead to a big global recession from which the world will recover slowly. However the impact of the crisis on the Middle East and North Africa may be less as compared to the US and the western countries in general. ESCWA (2009) found that the various economies of the GCC will be impacted by the GFC differently. However, given that these countries have benefited from enormous oil revenues since 2003, the impacts are most likely to be short lived. Badr, et. al. (2009) found negative implications of the crisis on the tourism sector in Egypt. Salah (2010) the impact of the world economic crisis on the Middle East countries, particularly GCC countries, was similar to the impact elsewhere in the West, collapse of the real estate sector, credit constraints, and economic contraction. Mansoor and Jalal (2011) revealed that the GFC affected Bahraini consumption behavior. Bahraini consumers have adopted new trends as a result of the financial crisis. They shifted from buying expensive goods to less expensive substitute goods. Many consumers have been reducing their spending, but they still find it hard to save. Kondawar and Jadhav (2012) found that due to GFC the majority of consumers have to reconsider their consumption habits and reallocate budgets. So, the GFC has had a strong impact on the behavior of consumers in Bahrain. Kenawy and Abd-el Ghany (2012) found that the GFC was having negative effects on some economic sectors both productive and service (tourism, banks, air transport, oil and chemical industries). The most affected Egyptian sectors were spinning and textile and metal and food industries.

IMF (2009b) reported that in Egypt, Jordan and Lebanon the substantial decline in external demand is dampening export growth, workers' remittances, and tourism revenues. Kouame (2009) concluded that Lebanon and Jordan entered the crisis with very high levels of fiscal and current account deficits in 2007 and 2008, with 2008 current account deficit to GDP ratios in excess of 14%, and with fiscal deficit to GDP ratios in the 8-10% range. Based on potential impact of these effects, Jordan's growth rate is expected to slip to 3.0-4.0 percent during 2009. Poghosyan (2010) claimed that the credit stagnation is mainly driven by the restricted credit supply amid tighter monetary policy conditions in Jordan relative to the United States. Demand was also affected which slowdown the economic activity. Ahid and Augustine (2012) indicated that the impact of the GFC was driven by the country's (Jordan) high dependence on foods and oil prices which led to increase the prices of oil and commodity. Results also found that the Jordanian banking and tourism sectors were not affected by the crisis. Al-Shamaileh, et. al. (2013) pointed out the decrease rate of the influx of tourists to Jordan, from all countries in the world. Alzoubi (2013) concluded that as a result of the financial crisis, external financing has become more difficult and expensive, which has caused the shareholder in Jordan to value cash at a premium since the crisis. Zeitun and Benjelloun (2013) showed that, on the technical efficiency scale only a few Jordanian banks were efficient in managing their financial resources and generating profit. Furthermore, only few banks were found to be efficient on the scale of pure technical efficiency and only so in a few years. The financial crisis was found to have a significant impact on banks' efficiency.

Methodology:

This study aims to investigate the cause/effect relationship between the global financial crisis and the Jordanian economy. It is not possible to study the effect of the GFC on all variables of the Jordanian economy within one research paper, so we selected a few variables such as: presented and returned checks. The current study started with a literature review and experts' interviews to explore the Jordanian economy profile and to select the variables to be included. The imperial data were collected from the Jordanian Department of Statistics, Central Bank of Jordan, and New York Stock Exchange (NYSE) market data base; the data covered 15 years from 1999 to 2013 to run the analysis. The collected data were analyzed via SPSS 20. Finally, a Bivariate Pearson Corelation and Multiple Regressions were used to test the relationships between GFC and presented and returned checks and the effect of GFC on presented and returned checks.

Data Analysis:

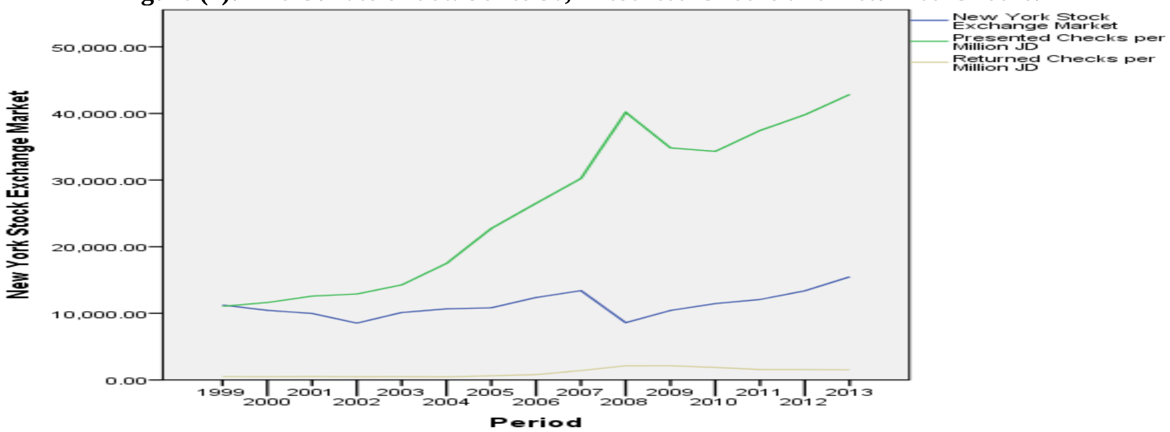
Table (1) shows that the presented checks for clearance were increased dramatically in 2008 compared with 2007. While returned checks increased suddenly (double) during 2007 and the increased continued during 2008 compared to 2006.

Table (1): Dow Jones 30, Presented and Returned Checks.

Year	Dow Jones 30	Presented Checks	Returned Checks
1999	11246.36	11055.30	509.60
2000	10440.96	11622.60	494.00
2001	9979.88	12584.60	515.50
2002	8526.66	12904.90	486.60
2003	10124.66	14269.20	497.10
2004	10673.38	17494.10	466.30
2005	10827.79	22732.20	626.80
2006	12377.62	26521.60	797.10
2007	13407.02	30233.70	1404.60
2008	8595.56	40175.80	2124.50
2009	10433.44	34830.60	2128.40
2010	11465.26	34305.30	1877.80
2011	12075.68	37448.70	1566.80
2012	13380.65	39808.00	1557.50
2013	15471.70	42851.10	1524.20

Figure (1) support the results of table (1) which shows clearly the sudden shift during 2007 and 2008 of presented and return checks.

Figure (1): The Curves of dow Jones 30, Presented Checks and Returned Checks.



Bivariate Pearson Correlation Analysis:

Before running multiple regressions and to answer question number one we have to check if there is any correlation between each selected variable of the Jordanian economy (presented and returned checks) and the American New York Stock Exchange (NYSE) market represented by Dow Jones index. A Bivariate Pearson correlation analysis table (2) shows that there is a strong significant correlation between presented checks and returned checks, where r equals 0.901. Also, the matrix shows that there is a significant relationship between Dow Jones market drop and increased presented checks, where r equals 0.521. However, it shows that there is no significant correlation between Dow Jones drop and the returned checks neither at 0.05 nor at 0.01.

Table (2): A Bivariate Pearson Correlations between Independent Variables and between them and Dependent Variable

No.		1	2	3
1	Presented Checks			
2	Returned Checks	0.901**		
3	General Index (NYSE)	0.521*	0.250	

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

Multiple Regressions:

When we regress the presented and returned checks together against NYSE, table (3) shows that there is a significant relationship between presented and returned checks with NYSE, at α≤0.05, where r equals 0.725 at 0.011. The result also shows that the GFC can explain52.6% of the variations in presented and returned checks, where R^2=0.526, F=6.058, sig.=0.011.

Table (3): Results of Multiple Regression Analysis: Regressing Jordanian Economic Variables against Dow Jones.

Variables	r	R^2	F	Sig.
All Selected Variables	0.725	0.526	6.658	0.011

However, table (3) shows that there is an effect for GFC on both presented and returned checks as follows:

1. There is a positive effect for GFC on presented checks for clearance in Jordan, where Beta=1.568, t=3.426, sig.0.005. Therefore, the first null hypothesis is rejected and the alternative is accepted, which states that the global financial crisis affects presented checks for clearance in Jordan, at α≤0.05.
2. There is a negative effect for GFC on returned checks in Jordan, where Beta=-1.163, t=-2.540, sig.=0.026. Therefore, the second null hypothesis is rejected and the alternative is accepted, which states that the global financial crisis affects returned checks in Jordan, at α≤0.05.

Table (4): Results of Multiple Regression Analysis: Regressing Selected Jordanian Economic Variables against Dow Jones.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8581.203	909.205		9.438	0.000
	Presented Checks	0.245	0.72	1.568	3.426	0.005
	Returned Checks	-3.316	1.305	-1.163	-2.540	0.026

Dependent Variable: New York Stock Exchange Market

Conclusion:

The results show that there is a sudden and dramatic increase of presented checks for clearance in 2008 compared with 2007. While returned checks increased also suddenly (double) during 2007 and the increased continued during 2008 compared to 2006. This indicates the direct effects of the GFC on both presented and return checks in Jordan. A Bivariate Pearson correlation analysis shows that there is a strong significant correlation between presented checks and returned checks. Also, it shows that there is a significant relationship between Dow Jones market drop and increased presented checks. However, it shows that there is no significant correlation between Dow Jones drop and the returned checks. The multiple regressions show that there is a significant relationship between presented and return checks with NYSE. The result also shows that the GFC can explain 52.6% of the variations in presented and return checks. Results also show that there is a positive effect for GFC on presented checks for clearance in Jordan, and there is a negative effect for GFC on returned checks in Jordan,

Limitations/Recommendations:

The selected Jordanian economy variables (presented and returned checks variables) may not represent the full picture of the Jordanian economy, therefore considering other variables is recommended for future studies. Also, generalizing Jordanian results to other countries may be questionable. Therefore, this study recommends extending the analysis to other Arab countries. Further testing of the effect of the GFC on other countries' economies will help mitigate the issue of generalizing conclusions on other economies.

Contributions/Practical Implications:

This study extends prior research's viewpoint about the relationship between GFC and Jordan's economic performance. The research makes significant theoretical and empirical contributions to literature regarding influence of GFC and the Jordan's economical performance. The research results might help both academicians and practitioners to be more ready to understand the relationship between the GFC and countries' economies. In addition, the results may be important to organizations, decision makers and governments, as it may help them to design and build strategies to face and counteract challenges and crisis in the future.

Research Added Value:

Almost all previous researches investigated the relationships between the GFC and different economic variables in different countries. At the same time, they concentrated on the effect of GFC on many variables except the effect of GFC of presented and returned checks. Therefore this study may be considered as an initiative study which considered the effect of GFC on such variables.

The Learnt Lessons:

The global crisis is silently saying the world is global, and anything happened in one country (especially in giant countries) will affect the whole world. People every where will be affected by any crisis any where, as they get the benefit of technology development (transportation, communication and others), they have to pay the price for any disasters and crisis anywhere. 11th September 2001 and its consequences was the first example of spreading the damage, while 2008 financial crisis was the second example for globalizing harm and damage. What is next? What people should do to prevent the next disaster or crisis? How we can reduce its impact on us? We should be ready for the next!!!!.

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