The Extent of Extracted Financial Indicators from Financial Statements, Contribution in Rationalizing Investment Decision by the Jordanian Commercial Banks

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Abstract
This study aimed at investigating the establishment of specific mechanism that may help investors to rationalize investment decision based on the extracted financial indicators from financial statements. The study utilized a questionnaire as a major instrument to collect the needed information and data in order to achieve the study's objectives The sample consisted of 76 participants selected randomly from Jordanian banks. Results revealed that 64% of the participants do not participate in investment decisions. This indicates that investment decisions are restricted in a certain personnel. Furthermore, indicators from income statements are used indeed in rationalizing investment decisions by bank in Jordan. Finally, operation revenues were the most used means in rationalizing investment decisions.
Keywords: financial indicators, financial statements, investment decisions, the Jordanian commercial bank.

Introduction

Current laws determine to banks the type of investment which banks may involve with and invest their funds in such investments Thus, laws restricts banks' liberty in employing its funds in certain activities such as land and real estate except within the a crucial need of the bank. According to this restriction, the scope for commercial banks is limited in securities exchange in general and treasury bills in particular, and public debt bonds. This type of investment may be domestic or foreign.

It is worth mentioning that commercial banks policies differ in terms of investment principles. Whereas, each bank has its own vision, conditions and philosophy. However, there is a kind of consensus among banks over certain investment principles. Thus, banks follow strategies in making its investment decisions in accordance with preplanned goals in order to achieve the maximum level of profitability or rewards, to provide the bank's need from liquidity and to avoid investment's high risk. Investment decision is more important than funding and profits of financial management's decision; due to reason of investment decision influences directly the bank's activities future in the long term, and, liquidity in circulation source. Thus an un-educated investment decisions may cause danger on the company's survival and cause in obtaining additional funding from lenders and stock holders. In addition, is somewhat complicated as a result of subjectivity rooted in the attempt to predict future forecast. (Michael, 2004).

The problem statement:

Investment decisions are considered to be the corner stone of commercial banks success. In order for these decisions to be appropriate to investors and be achievable and educated, such decisions must rely upon a set of indicators that depend on the ideal alternative option to make decisions. Thus it is possible to say that the problem of the study lies in the following question: To what extent of extracted financial indicators from financial statements contribution in rationalizing investment decisions by the Jordanian commercial banks?

Depending on results obtained from previous studies and findings from the theoretical framework of study, it is possible to articulate the following hypotheses:

Hypothesis one:-

Ha: Excreted from income statements financial indicators contribute in rationalizing investment decisions by the Jordanian commercial banks.
Ho: Extracted from income statements, financial do not contribute in rationalizing investment decisions by the Jordanian commercial banks.

Hypothesis Two:-

Ha: the extracted from the financial position list, the financial indicators do contribute in rationalizing investment decisions by the Jordanian commercial banks.
Ho: The extracted from the financial position list, the financial indicators do not contribute in rationalizing investment decisions by the Jordanian commercial banks.

Hypothesis three:

Ha: The extracted from cash flow statement, the financial indicators do contribute in rationalizing investment decision by the Jordanian commercial banks.

Ho: the extracted from cash flow statement, the financial indicators do not contribute in rationalizing investment decision by the Jordanian commercial banks.

Based upon, the lack of specialized party that gives investment decision maker enough financial statements in order to maker an investment decision, thus, we attempt to achieve the study's following objective:

First: find a certain mechanism that may help investor in mating investment decision, by relying upon financial indicators extracted from financial statements.

Second: Determine the financial condition through relying on financial indicators extracted from financial statements.

Third: find a mathematical model that helps in rewards forecasting through relying on financial indicators extracted from financial statements.

Data collection's Instrument:

A questionnaire has been developed for the purpose to achieve the objective of the study and test its hypotheses, through the benefits from relevant theoretical literature and previous studies. The questionnaire consists of the following

part one: includes populations demographic information, education qualification, years of experience and Job position.

Part two: divided into three financial list financial indicators were extracted from every statement separately. From each list nine financial were extracted.

Questionnaire reliability:

Questionnaire was submitted to a panel of specialized faculty members at accounting, financial and management departments in selected Jordanian universities in order to express their opinion and the suitability of the questionnaire. Arbitrators conducted review of the questionnaire, add and eliminate certain items. Their consent with the questionnaire items is consider to be an indicator for the questionnaire reliability.

Questionnaire Stability

(a)   Coefficient in accordance with Cronbach equation for all questionnaire was used: whereas (a) value of the questionnaire is (93.9)% which is an excellent value because it is way higher than 60%

Investment decisions

Investment is a set of exchanges or employments for the purpose of income increase, achieve actual addition to the original capital through asset owning that generate returns, and as a result of temporary sacrifice in order to obtain it in future greater that it was through obtaining future cash flows, while taking into consideration the return and risk elements.

The nature of decision that investor makes is determined by stances that investor faces when making an investment decision, upon the nature of existing relationship between investment tool's price and its value from his point of view

Ross et al (2006) categorizes investment decisions into:

1.   **Purchasing decision**: investor makes a purchasing decision when he feels that value of investment tool represented by current value of cash flow is counted within return framework, and risk exceeds its market price.

2.   **Non-exchange decision :** investor makes such decisions in the case of prices go up , and when market price becomes equal to the value of the investment tool, or the diminishing of purchasing incentives with investor, As a result, investor's decision will be refraining from exchange activity.

3.   **Selling decision:** when rice becomes equal to the value, market dynamism creates added willingness to purchase that instrument from a new investor.

Factors influence the investment decision:

There are several factors that affect investment decision such as:

1.   **Economic surplus:** In any country; investment level depends in the first place upon economic surplus represented by the achieved product in the branches of the national economy minus negative elements or it is the achieved product within the national economy minus the consumption of producers and their households added to it the a society general expenditures (necessary expenditures) so as to have economic society continues in calling surplus available to development process. While economic surplus is not used totally in the production process, thus, it represents by that the part of annual production of society, which is used to fund the economic development process or it is a part of the actual economic surplus which is designated for development process. This means, that it is one of the main requirement for development process and economic growth.

This process becomes subjected to the increase in production capacity of society during a certain time table.

Thus, as the economic surplus magnitude increases, as society is able to determine its economic Future (Ross et al, 1999)

2.   **Work (Labor)**

There is a strong relationship between work and investment, based upon all investments that are new requires new labor force, however the size of labor which new investments need depends on the nature accredited by the state. The relationship between labor and investment depends on a set of factors such as:

A-   Population size: the high population growth rates are considered to be a negative factor on economic growth, through its influence on the saving size, then the investment magnitude. Taking into consideration that every savings that is oriented towards investment which means

Income= Consumption+ Savings

Savings= investments

Income= Consumption+ investment

From this logic, the increase in population size will cause increase on the demand for goods and services, which means any increase in consumption rate/income, the largest part of income and its increase will go towards consumption which in turn works towards decrease the allowed income to investment. Thus the increase in population growth rate has a negative effect on investment.

B-   Population age structure:

The increase in population growth rate affects negatively on the population's age structure; it lease to a decrease of population rate who are in work age. Consequently, it increases the rates of goods and service consumption, decrease savings portion and investment as a result of this negative effect.

C-   Population structure according to Environment:

The population structure resulted from migration from the country side to the city affects negatively on savings size and on investment, this is due to the great investments required in preparing and training such moving labor from the Country side to the Urban areas. This investment affects the size of economic surplus that is achieved in production sectors.

3.   National Income: Aspects affect National income

**A.   The size of national income is linked with investment by complementary relationship with income which means, investments increase with the increase of income. It decreases with income decrease with the assumption of the rest of factors remain stable or fixed. The increase of income while consumption remains still will lead to savings increase rate, then, to investment's increase.

Consequently, the increase in investment results in national income increase, and the national income increase leads to investment increase.

B.   National Revenue Structure:

The investment activity in any country is influenced by the nature of the economy structure of sectors that from the economy, as long as the structure of economic sector remain balanced in terms of development, as will savings increases, then investments increase and vice- versa As long as economic sectors are unbalanced as it leads to the decrease in savings size and the investment late around.

C.   National Income Distribution:- it means,

National income distribution, and the share of society's classes from the national income or national production. The pattern of national income distribution is considered to be one of the effective factors in, the size of investment and determinants.

Most of the developing countries suffer from the significant gaps in revenues distribution. This matter requires the adoption of sound financial policy works on converting the actual increase in income towards productive investment opportunities that serve the development process.

4.   Consumption:

The technological advancement in plants new production methods and approaches which means the production of new goods and services that cause the increase in investment magnitude. Because new inventions create new approaches for productions which require more investment. The motivation for investments is the willingness of cost reduction and income increase.

5.   Price general orientation

The price increase phenomenon is considered to be on of the negative factors that influence negatively on the real income.

This due for the price hikes affects the real income per capita consequently; the decrease in living level and Savings reduction the investment, for the reason of consumption acquires the most income increases. Whereas price hike will lead members of society to refrain from depositing their money in banks, instead directing their income towards land, real estate and other activities which do not serve economy, and deprive economy from funds that may benefit for investments necessary for economic development. Opposite many occur in case of price reductions.

Financial statements concept

Financial statements is considered to be economic events and achieved process accumulation. Financial statements are a set of primary financial data which companies issue regularly arranged in lists according to certain specifications and in accordance with a set of concepts and accountancy principles, logically and in organized manner (Matar,1993) These lists are considered to be the window which allows others to look at the company's activities from different aspects. Thus, they come to know the company's financial position from its general budget. An the results of the company's endeavor from Loss and profit statement. Also, they know what

change may occur whether in its financial position or cash-position through fund sources statement and its utility and cash flow statement respectively. Stock holding companies usually prepare four major financial statements, in addition to attached information (remarks on accounts). These statement that are issued and accompanied by accounts controller report "Annual financial Report of the Company" The Financial statement are the most important part of financial report. They represent the main source of historical information resulted from project activity within a certain period time.

In addition to the financial position and changes occurred on it, during that period of time, the financial statement are directed to stock holders in the first place (Project owner) and to other stake holders such as lenders, bankers and other.

These statement considered to be crucial because financial analysts use them for several purposes. Below is a brief description of these statements due to their significance (ANDREA TEGLIO 2012)

The most important financial statements:

1.   Income statement, business results accounts and loss and profit accounts, in one statement.
2.   Statement of the financial position (Balance sheet).
3.   The Cash Flow statement:

1.   Income statement

 Known as loss and profit account. It is a summary of company's revenues and expenditures, during a certain period of time, usually a year. It reveals the results of operational processes of a company and their results of achieving profits or loss (Ross et al 2006).

This statements consists of all revenues and all expenses in a year. It is prepared in a list format, contains digits or figures clearly arranged.

The list contains three columns: one for specification, other for partial amounts and the third for total amounts (ANDREA TEGLIO 2012).

The income statement consists of: (ANDREA TEGLIO 2012)

A.   **Gross Sales**- the income resulted from sale operations of project. Sales may be in cash or receivables. It means net sales after deducted the returns or any refunds. Analyst must consider good value subject to sale.

B.   Cost of Goods sold

This is the cost of sold units. Cost of Goods sold differs according to the project's nature. Commercial projects consist of goods at the beginning of term and purchases (all expenses until delivery to warehouses) after deducting goods of the end of term.

C.   **Gross Margin**- the difference between sales and its cost. It is affected by sold goods quantity, its cost and sale price

D.   **Operation Expenses:** Gross sales, distribution expenses include salaries, sales commission, dead loan cost etc, administrative expenses and asset depreciation.

E.   Net Margin: it considered to be the most important element in project's evaluation. It represents the ability of project in achieving success in carrying out plans and pre-prepared objectives.

F.   Other Revenues and Expenses: investment returns or loan interests, and other similar profits and losses. This element is important in conducting comparisons between economic units.

Finally net profit is considered to be the profit after taxes. It is the money which may be distributed over to stockholders

2.   **Balance sheet:** it is a statement that shows the company's financial position at any certain time. Financial positioning change between one term to another. Balance sheet is an organized report shows statements or data which are takes from the accountancy records. Also, it shows the company's assets that are used to generate income. Moreover, balance sheet shows resources that the project has gained. This means that it shows project's property and its obligations or liability.

The financial position statement is a report from two parts: first, funding sources in accounting unit. Second, shows the use funding sources. The first part is called "Discount" or liabilities, while the second part shows assets and property. Both parts are a summary of credits and debts accounts which remain open in the ledger. Both parts should be equal in value.

It is a way to collect and express the economic assets with all its kinds, sources in cash value in a certain date. The effect of the nature of the economic unit activity is reflected by the way in which the financial position is organized in the list. Whereas the assets that are difficult to transform into cash is arranged first then the inventory ends with assets that are easy to liquidity.

In industrial establishment the inventory is arranged with short term liabilities first to end with property rights. While inventory arrangement in commercial establishment elements are arranged in a way opposite to those in the industrial establishment (ANDREA TEGLIO 2012).

Financial position statement is expressed in cash for a certain period of time. Statement out puts are used for project's assessment with several analyses method such as: extract financial ratios, and relationship among parts of such elements which determine profitability, assets liquidation degree, project's ability to fulfill its obligations

and competency in exploiting the project's investment The organization of financial position elements differ from sector to another and from project to another according to assets liquidation and its importance to the projects itself (Maria Bas and Antoine Berthou 2013).

3.   cash flow statement:

the amount of liquid or semi liquid cash which enters to or comes out from the establishment's cash or account at banks.

Cash flow= incoming cash flow + out going cash flow (Maria Bas and Antoine Berthou 2013) cash flow statement is "a statement that shows change in cash values of operational, investment, and financial activities of a company during a certain period of time". (Maria Bas and Antoine Berthou 2013).

Cash flow statement is a multiple use instrument Such as:

(Steven Fazzari 2012)

A.   **administrative use:** It provides Valuable information about important decisions of the management that are made earlier such as: the issue of capital stocks or the sale of long term bonds

cash flow is one of operational activities which is enough to fund all capital needs which are externally planned for instead of borrowing funds from out of the establishment.

B.   Creditor investors use:

Cash flow statement help creditors and investors in the following:

- The establishment's ability in generating positive and net cash of flows.

- The establishment's ability to meet its ongoing obligations.

- The establishment's ability to pay stockholders dividends

- The extent of Company's need for external funding

- Reasons for variation between net in, cash receivables and accompanied cash payments

- Cash flow statement is considered to be an financial analytical, additional statement similar to ratio analysis (Aqel,1995). Consequently, cash flow statement performs the following roles.

A.   Historical analysis for company's financial condition, development of such conditions and the assessment of the company's performance.

B.   Company's future financial condition's estimation that is based on the company's pervious performance.

In addition, Cash flow statement performs the following:

1.   It shows how the cash is used.

2.   How company obtained the cash.

3.   Company's ability assessment in cash flow generation from future operations.

4.   Assessment of company's ability to fulfill its obligations and dividends distribution.

5.   Facilitate comparison process among various companies.

6.   Showing financial and changes that other statements can't show.

7.   Reveals reasons for external borrowing amount.

8.   Reveals the suitability of funding sources (Duration) and type of cash use.

9.   Establishment's performance's historical analysis in order to uncover strength and weak aspects of the company.

10.   Have decision makers be aware of changes that need special way to deal with.

11.   Showing previous mistakes to avoid in future.

12.   Provides creditors and stockholders information about the management's financial philosophy.

If is advised to prepare this statement more than once in order to:

1.   Determine the performance general orientation

2.   Ability to conduct comparisons with other companies performance and the industry's standards. (Steven Fazzari 2012).

Financial Ratios

  Ratio is one of the financial analysis instruments, most common and old tools. They are based on: the use of any figure which is unimportant by itself, and does not give useful information, however, if this figure is compared with another, it becomes significant (Steven Fazzari 2012). Financial Ratios are the relationship between two elements or more from the balance sheet, profit and loss statement. This kind of comparison indicates the assessment of performance multi aspects in the company. Consequently there must be standards available for comparisons.

When financial ratios are applied on financial statements of more than one Company for analyses of their performance, it must be no differences in accountancy policies among these companies such as: depreciation of fixed assets, policy in stock assessment policy, reassessment of fixed assets policy and so forth (Mcleay et al 2002)

Types of Financial Ratios

Liquidity Ratios, liability: capital ratio Loan: capital ratio, Loan: assets ratio Profitability ratio, profitability: investment ratio, return: on investment ratio return: working capital ratio and return: ownership which is

stockholder rights ratio (Mcleay et al 2002)

Literature Review

This study aims at classifying the risk of loans granted by the Jordanian banks to the Jordanian industrial public corporations in order to arrange such risks into different categories and to discriminate between the solvent and insolvent corporations for the purpose of tying the risk degree with interest rate that is suitable for the risk related to the loan , and to achieve this goal, the researchers have studied a sample of Jordanian industrial public corporations constituted of (20) corporation , 50% of the sample was chosen on the basis of highest share market value and the remaining 50% of the sample their share market value are the lowest .

For this purpose a financial model of (5) ratios has been designed, each ratio has been given a proportional weight that indicates the regression co-efficient between independent and dependent variables and these ratios are: Working Capital/ Total Assets , Acid asset / Current Liabilities , Net Income / Sales , EBIT / Total Assets, Cash / Total assets .The financial model has been applied (tested) on the sample of the study in order to classify the loan's risks which have been granted by banks, accordingly (3) categories of risk's degree have been extracted , which start from the first category – high risk (Z <= 1) and ends with the third category – low risk (Z > 2.32)

The study included some recommendations that emphasis on the need of the credit managers of the commercial banks to recognize the importance of the quantitative financial models to identify the loan's risks to be granted and not to depend merely on personal opinion.

A study conducted by Bens and Monahan 2005 entitled " Altering Investment Decisions to Manage Financial Reporting Outcomes: Asset-Backed Commercial Paper Conduits and FIN 46" We evaluate the manner in which sponsors of highly leveraged asset-backed commercial paper (ABCP) conduits responded to FASB Interpretation No. 46 (FIN 46) Consolidation of Variable Interest Entities an Interpretation of ARB No. 51. By matching commercial paper investors with corporations seeking liquidity, ABCP sponsors facilitate a significant amount of short-term, securitized financing in the U.S. (outstanding ABCP presently exceeds $700 billion). FIN 46 essentially requires sponsors to consolidate their ABCP conduits with their GAAP financial statements. We demonstrate that the volume of ABCP began to decline upon the introduction of FIN 46 and that this decline is primarily attributable to a reduction in U.S. banks' sponsorship of ABCP. We also demonstrate that U.S. banks entered into costly restructuring arrangements to avoid having to consolidate their conduits per FIN 46. Taken together, these results suggest that FIN 46 put U.S. banks at a competitive disadvantage vis-à-vis non-banks, which are not subject to U.S. banking regulations, and foreign banks, which typically do not follow U.S. GAAP and are not monitored by U.S. banking regulators. Hence, we demonstrate that in certain settings, accounting standards appear to have real effects on investment activity.

A study conducted by Myers et al 1984-2008 entitled "Corporate financing and investment decisions, when firms have information that investors do not have". In which considers a firm that must issue common stock to raise cash to undertake a valuable investment opportunity. Management is assumed to know more about the firm's value than potential investors. Investors interpret the firm's actions rationally. An. equilibrium mode1 of the issue-invest decision is developed under these assumptions. The mode1 shows that firms may refuse to issue stock, and therefore may pass up valuable investment opportunities. The model suggests explanations for several aspects of corporate financing behavior, including the tendency to rely on internal sources of funds, and to prefer debt to equity if external financing is required. Extensions and applications of the model are discussed.

Financing Constraints and Corporate Investment

Most empirical models of investment rely on the assumption that firms are able to respond to prices set in centralized securities markets (through the "cost of capital" or "q"). An alternative approach emphasizes the importance of cash flow as a determinant of investment spending, because of a "financing hierarchy," in which internal finance has important cost advantages over external finance. We build on recent research concerning imperfections in markets for equity and debt. This work suggests that some firms do not have sufficient access to external capital markets to enable them to respond to changes in the cost of capital, asset prices, or tax-based investment incentives. To the extent that firms are constrained in their ability to raise funds externally, investment spending may be sensitive to the availability of internal finance. That is, investment may display "excess sensitivity" to movements in cash flow. In this paper, we work within the q theory of investment, and examine the importance of a financing hierarchy created by capital-market imperfections. Using panel data on individual manufacturing firms, we compare the investment behavior of rapidly growing firms that exhaust all of their internal finance with that of mature firms paying dividends. We find that q values remain very high for significant periods of time for firms paying no dividends, relative to those for mature firms. We also find that investment is more sensitive to cash flow for the group of firms that our model implies is most likely to face external finance constraints. These results are consistent with the augmented model we propose, which takes into account different financing regimes for different groups of firms. Some extensions and implications for public policy are discussed at the end.

THE IMPACT OF BANKS' CAPITAL ADEQUACY REGULATION ON THE ECONOMIC SYSTEM: AN AGENT-BASED APPROACH

Since the start of the financial crisis in 2007, the debate on the proper level leverage of financial institutions has been flourishing. The paper addresses such crucial issue within the Eurace artificial economy, by considering the effects that different choices of capital adequacy ratios for banks have on main economic indicators. The study also gives us the opportunity to examine the outcomes of the Eurace model so to discuss the nature of endogenous money, giving a contribution to a debate that has grown stronger over the last two decades. A set of 40 years long simulations have been performed and examined in the short (first five years), medium (the following 15 years) and long (the last 20 years) run. Results point out a non-trivial dependence of real economic variables such as the gross domestic product (GDP), the unemployment rate and the aggregate capital stock on banks' capital adequacy ratios; this dependence is in place due to the credit channel and varies significantly according to the chosen evaluation horizon. In general, while boosting the economy in the short run, regulations allowing for a high leverage of the banking system tend to be depressing in the medium and long run. Results also point out that the stock of money is driven by the demand for loans, therefore supporting the theory of endogenous nature of credit money.

MONETARY POLICY AND BANK LENDING

In this paper, we survey recent theoretical and empirical work that relates to the"lending" channel of monetary policy transmission. To begin, we.need to define clearly what is meant by the lending channel. It is perhaps easiest to do so by contrasting the lending view of monetary policy transmission with the simpler, and better-known, money" view.

In what we take to be the polar, pure money version of the monetary transmission mechanism, there are effectively only two assets --money and bonds. In this world, the banking sector's only special role has to do with the liability side of its balance sheet -- the fact that it can create money by issuing demand deposits. On the asset side of their balance sheets, banks do nothing unique -- like the household sector, they too just invest in bonds.

In this two asset-world, monetary non-neutrality arises if movements in reserves affect real interest rates. The transmission works as follows: a decrease in reserves reduces the banking sector's ability to issue demand deposits. As a matter of accounting, this implies that the banking sector must also hold (on net) fewer bonds. Thus the household sector must hold less money, and more bonds. If prices do not adjust fully and instantaneously, households will have less money in terms, and equilibrium will require an increase in real interest rates. This in turn can have real effects on investment, and ultimately, on aggregate economic activity.

These authors are determined to make use of relevant literature: previous studies, reports, and research paper such as**:** Issa (2004) conducted a study that aimed at examining the using extent of Financial ratios in management decision making process by certain industrial companies. The study's results revealed:

- Financial manager uses the ratios of: profitability, liquidity money. Exchange activity etc. that are necessary to make investment decisions by Jordanian stock holding companies.

Also in Financing decisions making process; furthermore, financial manager uses different and relevant ratios in credit decision making; Furthermore, financial manager conducts comparisons among financial ratios taken from various standards: Historical, partners, industrial, market and personal.

- Sardra&Ray2008 conducted a study for a purpose of examining the extent of difference in performance relevant to determined core weakness in auditor's assessment of financial statements, and auditor's assessment of the internal control effect on the assessment of investment analyst of financial strength of a company and the willingness to advise clients to purchase stocks Results revealed that auditors opinion are in contrast of the internal control results effectiveness in investment analysis. This leads to the Company's highest risks assessment, and low risk assessment of internal control effectiveness on financial statement and the marginal difference in the probability of recommending stocks to clients.

Methodology

Population and Sample of the study

The study's population consists of all Jordanian commercial banks listed at Amman Exchange for the year 2012 which are (13) banks according to the Central Bank statistics

The sample of the study was determined through the selection of officers work in top administration positions: Financial manager and investment units managers. Sample participants were (76) personnel n=76

Approaches for statement analyses and hypotheses testing:

In order to achieve the study's objectives the following statistical approaches were:

- Descriptive statistics: whereas certain percents, Frequency, means and standard deviations were used in order to reveal the characteristics

- T-test analysis so as to test hypotheses

Data collection Sources

1. Secondary sources: Researcher used to cover the theoretical part of the study: Relevant books, Journals, statistical reports issued by the securities Exchange and central Bank in Jordan.

2. Primary sources: As mentioned earlier a questionnaire is developed according to Leckert scale, where as responses fill in one of the Following: strongly disagree, disagree, no opinion, agree and strongly agree.

Data analyses and Hypotheses Testing:

This study aims at examining the extent of using financial indicators in rationalizing investment decisions by the Jordanian banks In order to achieve this objective, researcher developed a questionnaire that distributed over the study's sample. 80 questionnaire were distributed, 76 of 95% returned back. Data collected was analyzed by using the statistical program SPSS, as the following tables show:

Sample Description:

Table 1

Participants Distribution according to Demographic information

Variable	option	Frequency	Percent %
Education qualification	Less than BA	18	23,7
	BA	48	63,2
	MA	8	10,5
	PhD	2	2,6
Work Experience	Less than 5 years	42	55,3
	5-10 yrs.	14	18,4
	10-15 yrs.	14	18,4
	15-yrs and more	6	7,9
Job Description	Financial manager	13	17,1
	Asst Financial mgr	11	14,5
	Investment unit mgr	25	32,9
	other	27	35,5
Contribution in investment Decisions	Always	8	10,5
	Most the time	16	21,1
	Some times	20	26,3
	Rarely	16	21,1
	Definitely	16	21,1

Table 1 shows that those who are less than BA are 23,7% while BA holders 63,2%, Masters holders 10,5% while PhD holders are 2,6%. The majority of participants are college degree holders.

In other category -Experience- Table 1 above shows that 5 years of experience or less are 55.3%, 5-10 years are 18,4%, 10-15 years are 18,4%, while 15 years or more of experience are 12%. Table 1 shows also that, those who always participate in making investment decisions are 10,2% and those most the time 21,1%, while "Sometimes" participants are 26,3%, rarely 21,1% and those who never participated in decision making are 21,1% of total sample participants.

Data Analysis

In order to reveal the questionnaire's results, means, standard deviation of responses had been found as Table 2 below shows.

Table 2

No.	Item	means	SD	rank
1	Net interest and commission	4,21	0,981	2
2	Assets and financial tools profits	4,11	0,998	4
3	Operational instruments	4,32	1,057	1
4	Expenditures and employee expenses	3,97	1,077	5
5	Net operational income	4,18	0,999	3
6	Net annual income	3,97	1,250	6
7	Profit per share	3,92	1,182	8
8	Proposed profit distribution	3,63	0,961	9
9	Capital	3,95	1,301	7
	General mean	4,03	0,807	

Table 2 shows that the means for items 1-9 are between 3,63 and 4,32 which is larger than the supposed (3) for means. Which can be translated to, all participants agree all items. Item number 5 from the same table is the most active item- operational net income, net interest and commission (No 1) and the profits of assets and financial instruments (2), Their means are: 4,03 which means that the study sample used these indicators in

rationalizing investment decision making.

Table 3

Financial indicators from income statement

No.	Item	Frequency	%	rank
1	Operational returns	22	28,9	12
2	Assets and financial tools income	12	15,8	11
3	Net interest and commission	8	10,5	10
4	Profit per share	8	10,5	16
5	Profit for distribution	8	10,5	17
6	Expenditures and employee Cost	6	7,9	13
7	Operational net income	4	5,3	14
8	Annual net profit	4	5,3	15
9	Capital	2	2,6	18

     Table 3 above indicates that operational in come, a comes in the first place in influencing investment decision making while in the second place is assets and financial tool's income in the third place is net commission and interest, and the capital is last

Table 4

item No.	Item	means	SD	rank
1	Cash and accounts with central bank	4,11	0,915	7
2	Credit facilities	4,47	0,754	1
3	Investment in subsidiaries and alliance	3,76	0,932	9
4	Assets total	4,34	0,929	3
5	General deposits	4,26	1,021	5
6	Borrowed assets	4,37	0,843	2
7	Receivables	4,34	0,984	3
8	Capital	4,26	0,212	6
9	Profits for distribution	3,12	0,999	8
	Entire mean	4,19	0,666	

     Table 4 reveals that means are between 3,76-4,47 which means that study's sample has agreed on all items relevant the use of financial indicators from financial position statement in rationalizing investment decision making. whereas all means are above 3. Furthermore the most used indicators in this context are: credit facilities, borrowed money total assets and total liabilities and general deposits, whore their means: 4,43; 4,37; 4,34; 4,26 respectively.

Table 5

item No.	Item	means	SD	rank
10	Cash and accounts with central bank	12	15,8	3
11	Credit facilities	30	39,5	1
12	Investment in subsidiaries and alliance	2	2,6	9
13	Assets total	8	10,5	4
14	General deposits	6	7,9	8
15	Borrowed assets	8	10,5	5
16	Receivables	16	21,1	2
17	Capital	8	10,5	8
18	Profits for distribution	8	10,5	7

     Table 5 above shows the credit facilities comes in the first place in influencing investment decision making, while receivables in the second place, and cash and accounts with the central bank third, in the last place comes investment in subsidiaries and alliance.

Table 6

item No.	Item	means	SD	rank
1	Cash flow from operational processes	4,55	0,679	1
2	Investment's sales profit	4,21	0,866	4
3	Change in assets and receivables	4,21	1,07	5
4	Net cash flow from operational process	4,21	1,12	6
5	Net cash flow from investments	4,12	0,785	2
6	Net cash flow from funding	4,29	0,918	3
7	Net cash increase	4,05	0,975	7
8	Net accumulative change in fair value	3,84	0,915	8
9	Profits for distribution	3,89	1,43	9

Table 6 above shows arithmetic means for items answered, as follow (3,84-4,55) which indicates that respondents agreed on all indicators from cash flow statement in rationalizing investment decision making. Whereas all supposed means were (3). Thus the most used indicators are: cash flow from operational processes, net cash flow from funding operations, investment sales' profits and change in assets and receivable's; means of these indicators are: 4,55; 4,43;4,29;4;21 respectively

Table 7

Financial indicators organization from cash flow statement in terms of their effect on rationalizing investment decision making

No.	Item	Frequency	%	rank
1	Cash flow from operational processes	24	44,7	1
2	Investment's sales profit	2	2,6	7
3	Change in assets and receivables	22	28,9	2
4	Net cash flow from operational process	6	7,9	3
5	Net cash flow from investments ventures	4	5,3	4
6	Net cash flow from funding operations	4	5,3	5
7	Net cash increase	2	2,6	8
8	Net accumulative change in fair value	4	5,3	6
9	Profits for distribution	2	2,6	9

Table 7 above shows that cash flow from operational processes comes in the first place in influencing investment decision making. Net cash flow comes in the second place. While profits for distribution comes last.

Hypotheses Testing
Hypothesis one:
Ho: Financial indicators from income statement do not contribute in rationalizing investment decisions by Jordanian bank

Table 8

T- Test value, level of significance of hypothesis one

Financial statement	Computed T	List T	Sig
Financial indicators from income statement	15,716	1,96	0,000

Table 8 show that (T) value is statistically significant at α=0,95 which means participant agree on these indicators thus, the study rejects the null hypothesis and accepts the alternative hypothesis.

Hypotheses two testing results
Ho: Financial indicators from financial position statement do not contribute to rationalizing investment decision making by Jordanian banks

Table 9

Value of T-Test

Financial statement	Computed T	List T	Sig
Indicators used from financial position statement	21,092	1,96	0,000

Table 9 above shows the (T) value is statistically significant at α=0,95 which means that respondents agree on all items in this category. Consequently, the null hypothesis is rejected while the alternative hypothesis is accepted

Hypothesis three testing results

Ho: cash flow statement does not contribute in rationalizing investment decision making by bank.

Table 10

T value and significance

Financial statement	Computed T	List T	Sig
Financial indicators from cash flow statement	21,246	1,96	0,000

Table 10 above show the (T) value which is statistically significant at α=0,95 which means that respondents agree on indicators of this category. Consequently, the study reject the null hypothesis is accepts the alternative one which indicates that financial indicators from cash flow statement contribute in rationalizing the investment decision making by barks.

Results of the study:

1.   Analyses results indicate that 64% of the study's sample do not participate in investment decision making which means that, such decisions are made by the top management or a certain group of the sample.

2.   Used indicators from income statement, are used in rationalizing investment decision making by banks. While operational income was the most used indicator in rationalizing investments decision making by Jordanian bank due to the keen interest of decision makers in operational income. This kind of income is considered to be the most important indicator for the company's success.

Another important indicator in this context is the returns from interests and commission. Such indicators have a great influence on rationalizing decision making. Furthermore, both indicators point out to the extent of company in making profit which is one of the most important factor in investments.

3.   Analysis revealed the significance of operational returns for banks, in terms of rationalizing investment decision making.

4.   In regard to indicators from financial position statement, analysis revealed that credit facilities occupy a leading position in rationalizing investment decisions. Credit facilities give the company, trust, security and the company's financial strength makes it attractive to investors.

5.   Credit facilities, gross receivables are effective indicators in rationalizing decision making, also they show the company's financial position's strength.

6.   Cash flow comes in the first place as effective factor in rationalizing investment decision; net cash flow from investment and exchange come in second and third place in terms of using in rationalizing investment decisions.

7.   Analysis shows the relationship among indicators, from income statement, in rationalizing investment decisions.

Recommendations:

Based upon the study's results researchers recommend the following:

- Due to the important role financial indicators in rationalizing investment decisions; researchers recommend that banks should consider all of these indicators not some of few of them.

- Conduct further studies that include all financial indicators from financial statements in order to give clear picture about the extent of contribution by such indicators in rationalizing investment decisions.

- Seeking help from experienced financial analysts in order to reveal the most effective financial indicators in rationalizing investment decisions.

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