

## Ownership Structure Impact on Jordanian Banks' Financial Performance

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### ABSTRACT

*This study seeks to examine the effect of ownership structures on the Jordanian commercial banks' performance for the period 2005 -2014. It also aims to investigate the impact of the bank's characteristics on the performance. This study uses Return on Investment and Return on Equity to assess the financial performance of the banks. The ownership structure was measured using ownership concentrations, institutional ownership, foreign ownership, and government ownership. Bank characteristics were also covered using size, age and debt to equity ratio. The study has shown that the banks' profitability significantly decreases with a high ownership concentration, larger banks' size, and higher debt to equity ratio. Meanwhile, the foreign ownership and government ownership have a significant positive impact on the banks' performance. Moreover, the results found no impact for the institutional ownership and the age on the performance of Jordanian banks.*

*Keywords: Ownership structure; bank's characteristics; bank's performance*

### INTRODUCTION

The corporate governance aims to monitor the manager's activities and protect the variety of stakeholders' interest. Jensen and Meckling (1976) developed the ownership structure theory, which became a main dimension for the corporate governance to explain the importance of different types of investors and their impact on the firm's performance.

The importance of the ownership structure emerged from the need to separate the ownership from the control. As the result of the transformation of the small, family, or government's firms to public shareholders companies with a large number of shareholders. The different types of investors and especially of the individual investors cannot effectively keep monitoring the management's performance due to the high control cost and to the lack of expertise. The corporate governance principles developed in order to solve the conflict of interest of different types of investors, and to capture the control problem through the ownership mechanism to protect the rights of the minor shareholders, and introduce sufficient information to the institutional and foreign investors (Shleifer and Vishny 1997).

The corporate governance of the banks' industry may be different from other less regulated industries. In fact, the corporate governance in banks could be considered more important than it is in other sectors. This is because; first in the period from 1980 to 1997, more than 130 countries worldwide comprising almost 75% of the total number of member countries of the International Monetary Fund (IMF) experienced important problems with their banks (Lindgren et al. 1996). Second, the number of stakeholders (Investors, lenders depositors, bondholders) in the banking industry is much more than it is in any other industry, which practically complicates the corporate governance. Third, the banks'

business is considered as the world's economy engine, and can significantly affect other sectors quickly (Adams and Mehran 2003).

The major objective of this study is to investigate the relationship between ownership structure and corporate performance in Jordanian banks considering multidimensional ownership structure and other firm characteristics as endogenous variables. Another byproduct objective in this study is to explore the patterns of ownership structure in Jordanian banks.

This paper provides empirical evidence on the relationship between ownership structure and performance in the Jordanian banks. The paper also contributes to the existing empirical literature on corporate governance in three ways. First, investigating the conflicting results in prior empirical studies and applying methodology to capture the changes in results by using different measures of corporate performance and different dimensions of ownership structure. Second, exploring the patterns of ownership structure in Jordanian banks. Third, providing some implications to different parties (e.g. Amman Stock Exchange, investors and researchers). This paper consists from four main sections: First section addresses the introduction, while the second one reviews the related literature and prior studies. Third section provides a background about corporate governance in banking sector whereas the fourth section discusses the study methodology. The last two sections show the statistical analysis, results and the conclusion of this study.

### LITERATURE REVIEW

The nature of the relationship between the ownership structure and performance has been the core issue of

corporate governance literature. The overall concept of corporate governance aims to improve the firm value, performance and administration. Numerous empirical studies have tried to highlight the relationship between ownership structure and performance. Prior literature can be divided into two categories (Abu-Serdaneh et al. 2010): First, literature provides evidence that there is a significant relationship between ownership structure and the performance. This literature was early conducted includes seminal work by Berle and Means (1932) and later supported by McConnell and Servaes (1990), Short and Keasey (1999), Berger (2003), Kumar (2003) and Chen et al. (2003). Such literature hypothesized that the diffuseness of ownership should result in an increased relationship between ownership concentration and firm performance, because when ownership structure is sufficiently diffused, managers can entrench themselves and pursue non value maximizing objectives even if they hold little equity. Second, literature that found no relationship between ownership structure and firm performance. Such studies were conducted by Demsetz (1983), Demsetz and Lehn (1985), Himmelberg et al. (1999), and Habib and Ljungqvist (2005).

These differences in empirical and theoretical results provoked many researchers to provide answers to questions that may arise, such as does ownership structure matter? If it does, what is the preferred ownership structure for shareholding companies? What are the recent trends in ownership structure? What are the other firm characteristics that could affect corporate performance?

There are two different points of views to define the corporate governance. The first is the Anglo-American model of corporate governance (which is called the arm's length). It pays attention to maximizing the shareholders' value. In other words, it includes an exclusive focus on shareholders' interest, and ignores the interests of other stakeholders, which will eventually have a positive effect on other stakeholders. On the other hand, the other model, which is the Franco-German model (called the control-oriented model) indicates that the firm must take care of all stockholder's interests, which will lead to maximizing the shareholders' wealth. (Johnson 2012).

The structure of the corporate governance in any organization should identify the distribution of responsibilities, authorities, and rights between all the participants in the organization – such as the board, executives, managers, investors and other stakeholders. They should also set the main rules and procedures for the decision-making process. The ownership structure is considered the main internal dimension or mechanism to measure the corporate governance's level, as the corporate governance aims to protect the different types of stakeholders, and to minimize the conflict of interest between the managers and the owners, which is caused by the separation between the control and the management (the agency problem). This structure addresses the main points in the corporate governance and it is also came in line with the definition introduced by Jenkinson and

Mayer (1992), whose definition described the corporate governance as the processes and structures that direct and manage the organization in order to improve or maximize the long term shareholders' value, taking into account the interest of other stakeholders.

The Anglo-American definition of corporate governance suggests that a larger number of shareholders should enrich the company with many different types of advisors, supervisors, and create various control roles, which will reduce the conflict between the majority and the minority shareholders (La Porta et al. 1998). Meanwhile, the large number of shareholders tends to over-monitor the management activities and curb its decision making process (Aghion & Tirole 1997).

Conversely, Yeqin (2007) mentioned that the high ownership concentration gives more authority to major shareholders to monitor and supervise on the management activities, and a power to asking the management to implement significant changes, as the largest shareholders will reject any inefficient decisions for the management due to the congruence of interest between the two parties, but it also increases the conflict between the majority and the minority shareholders as the main shareholders could expropriate the minority shareholders' rights and interests.

In every financial market, there are several types of investors. They can be divided into: institutions, individual investors, foreign investors, and government or state investors. The role and effect of every type of investors depend on the region and the adopted financial system (Yeqin 2007). The institutional investors usually own a high capacity of controlling and supervising their investments than the individual investors. Foreign investors also play a key role in influencing the company's activities, and a major role in the emerging economies (Gillian & Starks 2000).

Empirical studies introduced mixed results about the ownership structure's importance in the companies. Jensen and Meckling (1976) pointed that a managerial role for shareholders will increase the management's harmony and decrease the agency cost. Morck et al (1988) indicated that if the ownership structure in a company has a high level of ownership concentration, this will have a positive effect as the small controlling shareholders spend more time and efforts to keep monitoring and advise the managers. La Porta et al (1999) found a concentrated ownership for large successful firms in rich countries, and these major shareholders actively participate in the firms' managements. On the other hand, Fama and Jensen (1983) found that the managerial role for shareholders may enhance the agency's problem by increasing the managerial opportunist for the non-professional major shareholders; the dominant shareholders may use their power and authority to force the company to adopt activities for their personal interest rather than other stockholders' or other minority shareholders' interest. Acemoglu (1995) and Myers (1996) added that a major role for the shareholders will definitely decrease the

manager's initiatives as they feel constrained and directly exposed to shareholders' interventions.

#### CORPORATE GOVERNANCE IN JORDANIAN BANKING SECTOR

Recently, the corporate governance has been one of the topics that acquired major attentions in Jordan. In 2000, the Central Bank of Jordan informed that all the working banks in Jordan should fully comply with the Basle Committee on Banking Supervision requirements on the corporate governance. Furthermore, in 2004, The Central Bank of Jordan issued a guideline booklet to board members of banks as new instructions in the banking industry in Jordan. In 2007, The Central Bank of Jordan (CBJ) prepared a corporate governance guidebook which asks all the banks to disclose their own guidelines and the extent of adherence to them (CBJ, 2004). The instructions draw upon international best practices, in particular the OECD principles of corporate governance and the guidance issued by the Basle Committee on Banking Supervision.

In May 2014, the Central Bank of Jordan listed new banking corporate governance instructions. The new instructions address different areas including board members, experience, competency, responsibilities, and accountability; it also prevents the chairmen from doubling their position as general managers or CEO, and handling the financial remunerations to the top managers. The CBJ stressed on the role and independence of internal and external auditors, and underlined the importance of independent board members noting that their roles enrich discussions and deliberations during meetings.

#### METHODOLOGY

##### POPULATION AND THE SAMPLE

The Jordanian commercial banks population consists of 13 banks. The study considers all the 13 Jordanian commercial banks for the period of 2005-2014 (130 observations). The foreign and Islamic banks are excluded because they have different structures, rules and operations.

##### STUDY VARIABLES AND HYPOTHESES

This study assumes that the banks' performance depends on corporate governance mechanism (ownership structure) and bank's characteristics. The corporate governance is considered an independent variable, as it only affects and is not affected by the performance of banks. Two sets of independent variables hypothesized to explore bank performance; the first is ownership structure (ownership concentration, institutional ownership, foreign ownership, government ownership), the second is banks' characteristics (size, age, debt/equity ratio). Therefore, the study formulizes two groups of hypotheses divided into sub-hypotheses.

#### OWNERSHIP CONCENTRATIONS

Prior period studies showed different findings on the ownership concentration's relation with the banks' performance. Many empirical pieces of evidence present a significant positive relation between the ownership concentration and the firm's performance, as this positive relation may reduce the conflict between the owners and the managers and minimize the agency cost to monitor the management's performance. Perrini et al (2008) discussed the relation between ownership concentration and the firm's performance in the Italian market for the period 2000-2003. Their findings showed a positive relation between the two variables. Jaafar and El-Shawa (2009) supported this positive relation as they explore the concentration's relation and the firm's performance in the Jordanian market for the years 2002-2005. Al-Amarneh (2014) tested the relation between the ownership concentration and the Jordanian banks' performance, and found a positive relation between them. García-Meca, and Sánchez-Ballesta (2011) and Silva and Majluf, (2008) had the same results.

Some empirical studies proved that there is no relation between the ownership concentration and the firm's performance. Pinteris (2002) explored this relation in Argentinian banks for the period 1997-1999 and mentioned that there is no significant relation between them. In addition, Nadia (2004) had the same results as she tested this relation in the Jordanian banks. However, other researchers found a negative relation between the two variables as the high ownership concentration could give more control to a few investors and they may misuse it. (e.g. Mudambi and Nicosia, 1998, Boone et al 2007 and Khiari et al 2007).

Therefore hypothesis 1 of ownership structure is stated as follows:

H01-1: There is no significant impact for ownership concentration on bank's performance

#### INSTITUTIONAL OWNERSHIP

Institutions' investment is supposed to be based on high quality studies and rational decision making, as the institutions' investors are more active in reviewing and monitoring their investments periodically. Thus, most of the former studies found that there is a positive relation between the institutional ownership and the banks' financial performance. Kumar (2003) illustrated the positive relation between the institutional ownership and the firm's performance through testing it in the Indian market, in addition to many other researchers as Huddart, (1993) and Maug,(1998 ).

Some other researchers did not find a significant relation between the institutional ownership and the performance. Craswell et al (1997) and Al-Amarneh (2014) showed that there is no relation between the two variables, Al-Amarneh (2014) illustrated that her results are based on the fact that the Jordanian banking sector is essentially built upon family business.

However, few studies showed a negative relation between the institutional ownership and the firm's performance as this relation may enhance the conflict of interest between the strategic partners and the firm's managers (Barnhart & Rosenstein 1998).

Therefore hypothesis 2 of ownership structure is stated as follows:

H01-2: There is no significant impact for institutional ownership on bank's performance

#### FOREIGN OWNERSHIP

Foreign investors (individuals or organizations) are those who scan different markets in different countries looking for a better investment that meet their needs and expectations. They should perform a better research and have better information than the local investors. Hence, a high level of foreign investment may be considered as a positive sign to the other investors, and according to some studies, there is a positive relationship between the Foreign Ownership and the bank's performance, (Bai et al 2004; Haniffa & Cooke 2002). On the other hand, Praptiningsih (2009) found that there is a negative relationship between the Foreign Ownership and the banks performance in the Asian emerging markets. This surprising result is affected by the negative role of the foreign investors during the Asian Financial Crisis in the late 1990s.

Therefore hypothesis 3 of ownership structure is stated as follows:

H01-3: There is no significant impact for foreign ownership on bank's performance

#### GOVERNMENT OWNERSHIP

Atkinson and Stiglitz (1980) addressed two main dimensions for the local government ownership in the firm, the first one is the social view, which states that governments invest in firms to introduce a social service to their local economy rather than any profit or loss in calculations, and the second view is the political view, they suggests that governments invest in the firms to support personal interests, such as investing in the firms owned by the related parties, or supporting a favorite sector or firm. However, the government's investment in the banking system may have other dimensions, such as investing in banks at critical periods as part of a bailout package or to solve a conflict of interest between the board of directors and the shareholders (Bai, et al 2004), or like some rich governments which invest in local banks to achieve an economic profit .

Zulkaffi and Abdul Samad (2007) found a negative relation between the government's ownership and the bank's performance in Asian markets. Praptiningsih (2009) supports this opinion by finding a completely negative relation between the government's ownership and the bank's performance in Thailand, Philippine and Malaysia. Shleifer and Vishny (1997) found that governments may

implement too much control and that the government's bureaucrat procedures kill the company's flexibility and delay the decision making process. In addition to that, Huang and Xiao (2012) and Tran et al (2013) had the same findings. Conversely, some studies found a positive relation between the government's ownership and the firm's performance, as the government may play a key role in monitoring and controlling the firm's management. (Jiang et al 2008; Xu & Wang 1997).

Therefore hypothesis 4 of ownership structure is stated as follows:

H01-4: There is no significant impact for government ownership on bank's performance.

#### BANKS' CHARACTERISTICS

*Size:* Montemerlo et al (2008) assumed that the small and medium sizes of the firms will minimize the agency problem as many managers in the small and medium sized firms are chosen due to trust and personal relations, while in larger firms, many authorities should be delegated to other managers, which will increase the control and monitoring mechanism cost, and lead to a higher agency cost. Abor and Biekpe (2007) and Ahmed (2010) found a significant negative relation between the bank's size and its financial performance, as the larger banks need more costly governance structures. However, little empirical evidence showed a positive relation between the firm's size and its performance. The research conducted by Abdelkarim and Alawneh (2007) on banks of Palestine found positive relation between size and performance.

*Age:* Higher firms' age should lead to higher performance as the firms accumulate the experiences to effectively and efficiently accomplish tasks and jobs. Brown and Caylor (2006), which examined 1868 U.S firms' performance and governance implementation using the firms age as a control variable, confirmed this argument and found that the older firms faced many different economic cycles and had some past experience on how to deal with it. On the other hand, Abor and Biekpe (2007) had unexpected results as the study reached a negative relation between SMEs firms in Ghana and the firms age. This result may be caused by special conditions in Ghanaian banks.

*Debt /Equity:* This ratio represents the bank's capital structure or source of fund (Lehmann et al, 2004). High ratios mean that the bank depends more on external resources (client deposits, loans from other institutions) to finance its activities rather than use the internal cheaper source (capital, reserves, retained earnings). Khiari et al (2007) mentioned to the negative impact of the debt/equity ratio to the firms performance, this result came after an extensive study of 320 firms in US market for the period of 1994 to 2001. Khiari et al (2007) argued that the high debt to equity ratio has a negative effect on the firm's financial performance, as they studied 120 firms for the period from



1998 till 2003 in Ghana. Ahmed (2010) found a strong negative relation between the debt ratio and the bank's performance in Palestine.

Therefore banks' characteristics hypotheses are stated as follows:

- H02-1: There is no significant impact for bank age on bank's performance  
 H02-2: There is no significant impact of for bank size on bank's performance  
 H02-3: There is no significant impact for bank debt to equity ratio on bank's performance.

#### BANKS' PERFORMANCE

Banks' performance is the dependent variable. Financial performance of the bank's data is collected using a secondary source of data, such as, the banks' financial annual report, banks publications, and Amman Stock Exchange data.

Using different variables for banks' performance could end up in having different results. Therefore, this study uses the following two variables to assess the financial performance and capture the features of each variable and the possibility of changing the results (Kobeissi 2004):

1. Return On Investment or the Return On Assets : This popular ratio is used widely to assess the past and also the future investment decisions performance. It is calculated by dividing the net income after taxes on the investment – or the Assets.
2. Return On Equity: This ratio provides the management and the investors (and other stockholders) with how the shareholders equity is used and utilized in order to generate a return to the company. It is calculated by dividing the net income after taxes on the total equity.

Since the financial performance is measured by two methods (ROA and ROE), the study applies two models as follows:

$$\text{ROA} = B_0 + B_1 \text{Concentration} + B_2 \text{Foreign} + B_3 \text{Institution} + B_4 \text{Government} + B_5 \text{Size} + B_6 \text{Age} + B_7 \text{Debt} + \quad (1)$$

$$\text{ROE} = B_0 + B_1 \text{Concentration} + B_2 \text{Foreign} + B_3 \text{Institution} + B_4 \text{Government} + B_5 \text{Size} + B_6 \text{Age} + B_7 \text{Debt} + e \quad (2)$$

#### STATISTICAL ANALYSIS

##### DESCRIPTIVE AND CORRELATION ANALYSIS:

The descriptive analysis presents the results in a simple way which helps in exploring the data before testing the hypotheses; the descriptive results for our sample are shown in the Table 1.

Table 1 shows that the ownership structure of 13 Jordanian banks has an average concentration ownership around 60%, with a wide range from 25.25% to 89.2%, which means that the Jordanian banking sector enjoys a high level of ownership concentrated. The foreign ownership for our sample has an average of 44.98%, which means that the Jordanian banking sector attracts a significant number of foreign investors, but the table shows a high level of standard deviation, as the range started from only 10.4% for some banks and reached 90.1% for others, which indicates that the foreign investors are very picky, as they prefer some banks over others. For the Government ownership, which is measured by the logarithms because of high Skewness and Kurtosis, the average was 2.67%, the government ownership in the Jordanian banking system is very low, as the Jordanian government sold most of its ownership to local and foreign investors. The average for the institutional ownership is 39.3% and the ratio range is between only 2% to more than 93%; which reflect how the institutional investors are careful in choosing their investments.

For the bank's characteristics, the average bank's size, which is measured by the logarithms, is 9.1. And the bank's average age is 38.5 years. The Debt to Equity average was 6.3 times, the highest level was 12.69, and the lowest level reached only 3.55. However, this ratio means that the bank depend heavily on the liabilities (customers' deposits) to finance its activities.

TABLE 1. Descriptive statistics

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Concentrated. Own	28.25	89.244	60.082	19.667	0.024	-1.403
Foreign Own	10.416	90.138	44.988	25.014	0.634	-1.05
Gov.	0	61.87	2.67	9.31	5.33	29.95
Log Gov.	1.466	1.955	1.762	0.15	-0.334	-1.127
Institution Own	2.056	93.24	39.354	23.434	0.651	-0.035
Log Size	8.212	10.413	9.189	0.468	0.931	1.002
Age	10	84	38.5	16.244	0.978	1.095
Return On Asset	0.001	0.038	0.015	0.006	0.685	2.319
Return On Equity	0.007	0.271	0.11	0.047	0.631	0.826
Debt/Equity	3.55	12.69	6.39	1.547	0.749	0.911

For the bank's performance, the average ROA is only 1.5%. It ranges between 0.1% to 3.8%. The ROE average is much higher than ROA. To reach 11%, the highest ratio was 27.1% and the lowest was 0.7%. These results could be explained due to the high assets of the banks as the banks depend heavily on customers' deposits compared to equity, which results in a low ROA compared to ROE. These results may be differing based on the bank's efficiency and economic cycles.

Table 2 presents Pearson correlation results. The correlation was used to explore the strength and direction of the relationship between the study's variables before testing the hypotheses using the multiple regressions. Moreover, the correlation was used to test the multicollinearity between the independent variables, one of the multiple regression assumptions.

Table 2 results shows that there is no multicollinearity relationship between the independent variables, since there is no perfect or high relation between these two variables. Also, the primary results show that there are a significant relationship between ROA and Concentration and Age, and between ROE and institutional ownership. These primary results will be re-tested by Multiple Regression Analysis.

#### MULTIPLE REGRESSION ANALYSIS

To implement Multiple Regression Analysis, there are specific assumptions must be met. The first assumption which related to multicollinearity; the results of Pearson Correlation in Table (2) shows there is no perfect relation between the independent variables. The second assumption is related to independent error, the Durbin Watson test (D-W) is used to test this assumption, and according to Table (3), the results came within the accepted range (between 0 – 4).

The sample size is one of the multiple regression assumptions. The study used almost 10 observations for each independent variable, which is accepted according to Hair et al (2006). The other assumption is normality; the study used Skewness and Kurtosis to test the normality. The descriptive statistics Table (1) shows that the results

are within the accepted range, between -1 to 1 for Skewness and -3 to 3 for Kurtosis (Jain and Aggarwal 2008).

Table 4.3 presents multiple regression results to test the first and the second main and sub hypotheses. The first model applied the ROA performance measure, while the second model applied ROE performance measure.

For the first model, the results show that 41% of the variation in the bank's performance can be explained by the variation in the ownership structure and banks' characteristics (R square). The results show that there is a positive significant impact for foreign, and government ownership on bank's performance, while the concentration, banks size, and debt to equity have a negative impact on the Bank's performance measured by ROA. In addition, there is no significant impact for the institutional ownership and the bank's age on the banks' performance.

The second model represents a higher R square compared to the first model, which indicates that the ownership structure and banks' characteristics can explain more variation in banks' performance using ROE rather than ROA. The regression results for the model 2 shows that there is no significant impact for the Institutional Ownership and the Bank's age on the banks performance, and that there is a positive significant impact for foreign, government ownership and debt to equity on banks' performance, while the concentration ownership and banks' size have a negative impact on the banks' performance measured by the ROE measure.

As results, and according to Table 3, and test mentioned in the first main and sub hypotheses, the research found a negative impact for the ownership concentration, which is consistent with Mudambi and Nicosia (1998) and Boone et al. (2007). According to Khiari et al. (2007), as the high level of ownership concentration could give more authority and control to a few number of investors, which may abuse this authority for their personal purpose, thus we reject the H01-1 null hypothesis.

The regression results showed a positive significant effect of the foreign ownership on the banks performance, as the foreign investors seek to best utilize their funds in best available investments, this results in line with Haniffa

TABLE 2. Pearson Correlation Results

	Concent. Own	Foreign Own	Gov Own	Instit. Own	Log Size	Age	ROA	ROE	D/E
Concent Own	1	.593**	-.159	.286**	-.107	-.425**	.176*	.070	-.203*
Forigen Own		1	-.031	.206*	-.151	.035	.080	-.006	-.234**
Gov Own			1	.151	.162	.191*	.071	.081	.082
Instit. Own				1	-.015	-.077	.116	.180*	.133
Log Size					1	-.118	-.017	.077	.148
Age						1	-.206*	-.128	.143
ROA							1	.852**	-.102
ROE								1	.394**
Debt/Equity									1

\*Correlation is significant at the 0.05 level.

\*\* Correlation is significant at the 0.01 level.

TABLE 3. Regression results of ownership structure, banks characteristics and conservatism on bank's performance

Dependent Variable	Model 1 -ROA		Model 2 - ROE	
	B	Sig.	B	Sig.
Concen. Own.	-2.577	0	-3.11	0
Foreign Own.	0.2	0.054	0.293	0.002
Gov Own.	2.667	0	3.133	0
Instit. Own.	-0.079	0.426	-0.018	0.834
Size	-0.159	0.032	-0.128	0.051
Age	0.018	0.837	0.016	0.836
Debt/Equity	-0.146	0.054	0.356	0
R <sup>2</sup>	0.411		0.592	
F statistical	6.53		10.062	
Model Sig.	0		0	
D-W	0.979		0.921	

(2002) and Bai et al. (2004) and Bolton (2006) results, thus we reject the H01-3 null hypothesis.

Regarding the government ownership, the results showed a significant positive impact on the banks performance, as the government could have a positive impact as it may play a key role in monitoring, controlling and motivating the firm's management. Jiang et al (2008), Xu and Wang (1997) support this positive relation, thus we reject the H01-4 null hypothesis.

Institutional ownership in the Jordanian banks has an immaterial impact on the bank's performance according to Table 3. These results are consistent with our H 01-2 hypothesis, as the institutional investors are not playing a key role in supporting and monitoring their investments. Al-Amarneh (2014) stated that the institutional investors have a null impact on Jordanian banks due to the fact that the Jordanian banking sector is essentially built upon family businesses. Craswell et al. (1997) also have the same results, thus we accept the H01-2 null hypothesis.

The results of the second main and sub hypotheses showed that the bank's size have a negative impact to its performance, as the large banks face some problems in their coordination and are required to pay a higher cost for controlling and monitoring their different branches due to the task and delegation of the authority to the lower managers. Abor and Biekpe (2007) and Ahmed (2010) confirmed these negative relations, thus we reject the H02-2 null hypothesis.

According to the regression results, the bank's age have no impact on its performance. This conflict resulted could be justified because our sample covers the period from 2005 till 2014, and in 2005 and 2006, the Jordanian banks have achieved historical positive results due to an economic booming, but in late 2007 and till now, the banks faced a sharp decline in its results due to an international financial crisis and other regional crisis, which mean the Jordanian banks have a better performance 10 years ago than its latest performance, however, Abor and Biekpe's (2007) results were consistent with our results, thus we accept the H02-1 null hypothesis.

Debt /Equity have a negative impact on bank's performance using ROA as the high ratio means that the banks depend more on the external source of fund to finance their activities rather than the internal one, Khiari et al. (2007) Abor and Khiari et al. (2007) and Ahmed (2010) confirmed this result. Conversely, the banks' performance using ROE showed a positive relation as higher customers' deposits increase the bank's ability to lend to a third party. However, this different result was introduced in Wan's (1999) study, which argued that using different measures to assess the performance could end up in having different results and relations with the same ownership structures, thus we reject the H02-3 null hypothesis.

## CONCLUSION

The aims of this research are to find the impact of the ownership structure and bank characteristics on Jordanian bank's performance. This research results showed a significant relation for all of the ownership structure dimensions and bank's characteristics to the bank's performance (using ROA and ROE) except the institutional ownership and the banks age, which shows no impact to the performance , this findings are agreed with Al-Amarneh (2014), which stated that the Jordanian banking sector is essentially built upon family business, with no significant impact of the institutional of the bank's age to its performance due to special characteristics of the sample. The directions of the ownership structure dimensions to the banks' performance are positive for foreign and government ownership, as the high level of foreign ownership indicates high quality investments. Bai et al (2004) and Bolton (2006) have the same findings. Also the high government ownership indicates that the government sticks to successful investments and dumps the poor ones. The results of Wan (1999) are similar to this result. On the other hand, the concentrated ownership and the bank's size showed a negative relation to the banks' performance, as the concentrated investors may abuse their authority. In addition, the negative relation for banks' size is due to the

high cost required from these banks to control and monitor their different branches due to the task and delegation of authority to lower managers. Results of Abor and Biekpe (2007), Khiari et al. (2007), Boone et al. (2007) and Ahmed (2010) are consistent with results from this study.

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