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The impact of foreign ownership in Jordanian companies on performance: An empirical study, years 2011-2014

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Results:

Literature is divided about the effect of foreign ownership on firm performance. In this paper, we explore this issue by take sample of a panel of 62 companies in Jordan for the period of four years from 2011 to 2014 Result shows:

The industrial companies have a positive percentage of return on assets, with an average (1.245), while the standard deviation is (11.834).

The Tobin's Q Approximation was average (1.1983), that companies possess a good incentive to invest.

There is a positive correlation between foreign ownership in industrial companies in the ASE and the indicators of anon-profit indicators relate to size, the size of the companies, Tobin Q approximation, the intensity of working capital, the market value of the company, and this is consistent with economic theory (TOBIN Q theory of Investment).

All the variables of the study (ROA, Tobin Q approximation, NWCI, Size, and TMV) have an impact on foreign investment, with the exception of leverage index has no statistically significant effect.

There is a statistically significant effect of foreign investment on the Tobin's Q Approximation, ROA, size, TMV, and NWCI.

Recommendations: Increase Total Assets being of attraction for foreign investment factor.

Attract foreign investment because of its strong impact on the national economy and on companies that enter it. Increase the distribution ratios of the profits they attract local and foreign investors.

Because the debt of a negative effect on the size of the companies, these companies must work to reduce the debt.

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Table (4):
shows as follows There is a statistically significant effect of foreign investment on the Tobin's Q Approximation, ROA, size, TMV, and NWCI.

Table 4	OWNERSHIP	OWNERSHIP2	Const.
OLS estimates			
<i>Variable</i>			
Tobin's Q	-1.594689***	1.988640***	1.940030***
Approximation	(0.0064)	(0.0043)	(0.0027)
LEVERAGE	-3.876623	-7.17128	-38.79935
	(0.8645)	(0.7954)	(0.1224)
NWCI	-2593665***	2591664***	618395.2
	(0.0066)	(0.0258)	(0.5617)
TMV	6.07E+08***	-13 537***	7 765 060***
	(0.0006)	(0.0000)	(0.0000)
Log10size	1.383679***	-0.863289*	6.928426***
	(0.0007)	(0.0771)	(0.0151)
ROA	-27.47359***	23.64162**	-57.89392***
	(0.0042)	(0.0396)	(0.0000)

Note (a) A single (*) asterisk and two (**) asterisks and three (***) asterisks denote significance at the 10%, 5% and 1% level of confidence respectively. T statistics between parentheses.

There is no statistically significant relationship between foreign investment and financial leverage.

The interpretation of some of the relationships that were reversed with economic theory, such as return on assets and foreign investment, we focus on the systemic risks that have affected the economy of the Arab countries, including Jordan's economy, during the study period, especially the manufacturing sector, which were represented in the political conditions (the Arab Spring) in Arab countries and the subsequent wars in the region, especially the neighboring countries of Jordan (Iraq, Syria and Egypt), and the subsequent closure of the land borders with them in this period, which was considered the traditional markets for Jordanian industries, especially the Iraqi market, which had a capacity of most of the Jordanian industrial exports.

The second factor which affected the Jordanian industrial sector in this period is the rise in global oil prices, which have reached unprecedented levels, which are formed by a large burden on the operational costs of the industrial sector of Jordan, which depends on importing oil from abroad.

for parameter estimation. The results of the analysis, reported in Table 3, show that foreign ownership has a statistically significant influenced by the variables Tobin's Q Approximation, NWCI, TMV, ROA, and Log10size.

Table 3: (The table shows the effect of variables of the study on foreign ownership)

Dependent Variable: FDI
 Method: Panel Least Squares
 Date: 08/12/16 Time: 08:22
 Sample: 2011 2014
 Periods included: 4
 Cross-sections included: 62
 Total panel (balanced) observations: 248

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.140038	0.070945	-1.973885	0.0495
ROA	-0.001222	0.000423	-2.887823	0.0042
TQA	-0.019190	0.006972	-2.752491	0.0064
Lverage	-3.13E-05	0.000184	-0.170790	0.8645
TMV	7.92E-11	2.28E-11	3.482356	0.0006
FDI sq	1.133102	0.023711	47.78846	0.0000
nwci	-1.17E-08	4.27E-09	-2.740860	0.0066
Logsize	0.034160	0.009900	3.450592	0.0007
R-squared	0.924525	Mean dependent var	0.289367	
S.E. of regression	0.071219	Akaike info criterion	-2.414383	
Sum squared resid	1.217320	Schwarz criterion	-2.301047	
Log likelihood	307.3835	Hannan-Quinn criter.	-2.368758	
F-statistic	419.9800	Durbin-Watson stat	0.532351	
Prob(F-statistic)	0.000000			

We note from the above table that all the statistical variables have an impact on foreign investment, with the exception of leverage index has no statistically significant effect, and this is consistent with results of previous Pearson correlation coefficient.

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Pearson correlation coefficient

Table (2):
(The table shows the Pearson correlation coefficient between variables)

	FO	LAVARGE	LOG10SIZE	MARKETV	NWCI	ROA	TOBINQ
FO	1.000	-0.032	0.371	0.015	0.135	0.020	0.036
LAVARGE	-0.032	1.000	0.030	0.149	-0.198	0.257	-0.047
LOG10SIZE	0.371	0.030	1.000	-0.015	0.383	0.354	0.185
MARKETV	0.015	0.149	-0.015	1.000	-0.005	0.252	0.079
NWCI	0.135	-0.198	0.383	-0.005	1.000	0.228	0.379
ROA	-0.020	-0.257	0.354	-0.252	0.228	1.000	0.179
TOBINQ	0.036	-0.047	0.185	0.079	0.379	0.179	1.000

Table No. (2) As follows :

Using the correlation matrix to show the relationship between the independent and dependent variables on the one hand and between the independent variables with each other on the other hand to make sure there is no strong correlation with each other and which refers to the so-called dual-link between the two variables and multiple among more than two variables, negatively affecting the sincerity of the regression results and notes of the table that the relationship between the independent variable, it was emphasized that there were no negative impact of these variables links.

From the table above analysis we note that there is a positive correlation between FO in industrial companies in the ASE and the size of the companies, Tobin Q approximation, the intensity of working capital, the market value of the company.

We also note that these indicators, is a non-profit indicators relate to size, and the relationship between them and FO a positive relationship, and this is consistent with economic theory (TOBIN Q theory of Investment).

And the most important of them is log10size by 37.1% and the intensity of working capital by 13.7%, which is positive and good correlation ratios.

There inverse association of foreign direct investment, ROA and financial leverage.

For a better understanding of the performance-ownership relationship, we conducted a regression analysis using the OLS method

Table¹(1)

(It shows the descriptive statistics of the variables)

	ROA	TOBIN S...	FO	FO_SQUIR	NWCI NE...	LAVARGE	TMV	LOG10_SIZE
Mean	1.245208	1.198310	0.200259	0.104526	507701.4	37.82145	79611365	7.265957
Median	2.493094	0.960416	0.078965	0.006173	50121.31	33.62814	7647900.	7.205976
Maximum	40.38356	3.905616	0.986540	0.973261	15102673	227.5280	3.88E+09	9.087522
Minimum	-96.49368	0.343659	0.000000	0.000000	35.32877	0.389816	500000.0	5.918870
Std. Dev.	11.83426	0.700965	0.254221	0.205556	1973037.	25.97797	3.69E+08	0.592666
Skewness	-2.387100	2.023815	1.459568	2.372315	7.291268	1.987554	7.392831	0.513779
Kurtosis	22.05230	7.086149	4.044097	7.996790	62.79938	13.38331	71.20194	3.889100
Jarque...	4050.722	347.3353	100.9207	496.8469	39775.45	1297.953	51523.99	21.35904
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	313.7925	301.9740	50.46520	26.34053	1.28E+08	9531.004	2.01E+10	1831.021
Sum Sq...	35152.49	123.3264	16.23443	10.60554	9.77E+14	169388.6	3.80E+19	88.16503
Observat...	252	252	252	252	252	252	252	252

Shown in the previous table as follows:

The rate of return on assets average was (1.245), while the standard deviation was (11.834), and it is proof that industrial companies have a good percentage of profits and that there is a wide variation among them in that proportion.

The Tobin's Q Approximation was average (1.1983), while the standard deviation was (0.701), and where the Tobin ratio is greater than 1, it means in economic terms that the market value of corporate assets is more than of the actual cost, which means that well-placed, and vice versa, That companies possess a good incentive to invest because the market evaluates each unit of investment more than their actual value.

Foreign investment averaged (FO) is (0.2), while the standard deviation was (0.254).

The leverage has an average 37.8%, while the standard deviation was (25.978), this indicates that the total debt slightly elevated and there is a big difference between this debt companies.

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assets, and it is calculated by dividing net income by total assets of the company.

2. Tobin Que: as the market value of the company divided by the cost to replacement of assets, to avoid the problem of the lack of information on the cost of replacement when calculating Tobin Q, this study, will use the so-called Tobin's Q Approximation (TQA) is the most commonly used variable in private ownership structure studies, which avoids the difficulties of calculating Tobin index, rounding according to the following equation:

$$\text{Tobin's Q Approximation} = (\text{TMV} + \text{DEPT}) / \text{TA}$$

Independent variable

The foreign ownership (FO): expresses the percentage of foreign owners in companies listed at the ASE companies.

Independent control variables

- 1- The size of the company: which is expressed from the total assets of the company?
- 2- Leverage Ratio - LR: is a ratio of total liabilities to total assets
- 3- Net working capital intensity (NWCI) = $(\text{TMV} + \text{Working Capital}) / \text{No. employees}$
- 4- Total Market Value (TMV): The market value of the Company which is equal to the total shares subscribed multiplied by the share price on the last trading day of the year.

Methods of statistical analysis:

The least-squares regression analysis will be used for achieve the goal of the study, called Pannell Regression (relying on statistical package) E views , and this method is the most appropriate statistical technique to study Data in the form of time series for several companies of any dual nature of cross-sectional data ,and different statistical methods to link variables such as:

Descriptive statistics: includes arithmetic mean and standard deviation.

Pearson correlation coefficient: to examine the relationship between the independent variables as a whole.

Analyzing the results of the study

We talked in the past about the foreign ownership or what is known as non-Jordanian ownership of foreign investors from all over the world, and after data collection and analysis in order to reach results that show the relationship between the variables.

Descriptive statistics:

development and that the contribution to employment and reduce unemployment, and the transfer of technology and bridging the domestic financing gap.

The study methodology:

The study population consisted of all listed companies in the Amman Stock Exchange.

The study sample consisted of industrial companies, which was number 62 industrial companies, has been selected by a random.

Sources of data collection:

Data were collected from several secondary sources such as books and scientific journals published local and global previous studies and websites of (Central Bank of Jordan, the Amman Stock Exchange disclosures and industrial companies).

The study variables:

We estimate the parameters of independent variable OWNERSHIP using the OLS method, as used by many authors studying the relationship between foreign ownership and performance (e.g. Yasser, Paul, 2009; Gelübcke, (2013) Aneta, Zuzana anata,.(2016).

The functional form of the regression model is:

$$Y_{it} = \alpha \cdot const + \beta_1 \cdot OWNERSHIP + \beta_2 \cdot OWNERSHIP^2 + \epsilon_{it}$$

And the squared values of variable OWNERSHIP has been added into the regression (OWN-ERSHIP²). Greenaway, Guariglia, and Yu (2014), Aneta, Zuzana.(2016), used the same variable to deal with the possible non-linearity of the relationship between performance and foreign owner-ship.

ϵ_{it} is the error term and α, β , are vectors of the parameters to be estimated using the OLS method. i and t are firms and time subscripts.

Y_{it} = the dependent variables, the study included the two variables

are affiliated to the Performance: Return on assets (ROA) and Tobin Que.

1. Return on Assets: This variable measures the profit on each investor dinar in the company's assets, it reflects the efficiency of the company's management by using the resources at its disposal to make a profit, in the sense that it measures, the optimal use of

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rapprochement are important determinants of the flows of foreign investment in most manufacturing industries.

Study (Shorbaji 0.2013): "The impact of foreign direct investment on the economic growth of countries in the Middle East and North Africa".

The study aimed to demonstrate the effect of foreign economic growth investments to ten countries from the Middle East and North African countries, during the period 1995- 2003 and through the use of dynamic models that blends time series incidental CT findings showed that there is a positive and significant effect of foreign direct investment on the economic growth of the study sample.

Study (Al Moktar 0.2013) foreign direct investment and its role in economic development in the Sudan during the period from Aam2000-2010.

The study aimed to demonstrate the role of foreign direct investment in development in Sudan and the statement of the main obstacles to foreign investment in it, and the study found that there are many obstacles to foreign investment in Sudan, such as the lack of external and Gog investment represents the investor guide and lack of political and security stability.

Study (Ghassan Abu Saud et al., 2014): "The Impact of Ownership Structure on the Performance of Jordanian Industrial Companies".

The study aimed to determine the impact of the ownership structure on the performance of industrial companies, and the results showed that there is a clear impact and direct ownership of the structure of the performance.

Study (Al Mohtasib, 2009): "The impact of foreign direct investment in economic growth in Jordan".

The study aimed to determine the impact of FDI on economic growth for Jordan for the years 2004-2008, and the results showed that there is a positive impact of foreign investment on economic growth in Jordan and there is little foreign investment in Jordan, compared with a number of developing countries and the decline of the overall investment.

Study (Abdul Qadir Qaudhry (2011): "Direct foreign investment and economic growth in Algeria".

The study aimed to analyze and evaluate the investment climate in Algeria and the impact of FDI on economic growth in Algeria, the results showed that foreign investment in Algeria, a major role in

Study (Pramadhani et al, 2013): "FDI, Trade and Growth, a Causal link"

The study aimed to find out the relationship between foreign investment and growth of the trading volume in Indonesia, the results showed that the relationship between exports and foreign direct investment has a dual effect, it is with the increase in exports leads to increased foreign investment and there is a causal relationship between foreign direct investment and trading volume, and this in turn is the effect is obvious on The trading volume growth.

Study (Suwaidan et al): "Corporate Governance and non-Jordanian Sharer Ownership: Case of Amman Stock Exchange".

The study aimed to find out the role of corporate governance in increasing the proportion of foreign ownership in listed on the Amman Stock Exchange companies, in 2010, the study showed that there is a relationship between the size of companies and the size of the audit and the Royal foreign office.

Study (Sharma and Kaur, 2013): ("Causal Links between Foreign Direct Investment and Trade: A Comparative Study of India and China".

The study aimed to find out the relationship between foreign direct investment and stock trading in China and India, the results showed that there is in China a one-way relationship of foreign investment and imports and the foreign investment and exports, either in India turned out that there is a two-way relationship between the variables.

Study (Tu and Tan, 2012): "Technology Spillovers of FDI in ASEAN Sourcing from local and a board".

This study aimed to investigate the impact of foreign investment on the local economy in Asian countries the period 1990- 2008, and the results showed that foreign investment increases the level of economic growth in the state and increases the activity, there are other factors that affect foreign investment, such as political factors in the country

Study (daood ,2013): "Foreign Direct Investment in the manufacturing industry determinants of Jordan (1995-2010) using the gravity model".

The study aimed to demonstrate the most important factors that affect the foreign direct investment in the manufacturing industry in Jordan, and the results showed that the gross domestic product and

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Nature and different industries like technology industries that require high-density or need manpower.

The importance of foreign investment to host countries

The increase in the proportion of foreign investment a priority and great importance because of the:

The utilization and optimization of local resources .

Assist the integration of the local economy, the establishment of relations and a link between the various economic sectors.

Find new export markets for local products with other countries.

Benefit from foreign expertise in modern management and production methods.

Benefit from the progress in other countries and localization technology.

Improve the balance of payments to host countries.

Previous studies

Study (Bokpin et al, 2015): "Corporate Disclosure and Foreign Ownership: Empirical evidence from African countries"

The study aimed to see the disclosures on share ownership for foreign investment and know the factors that affect the ownership of foreign investment, during the period 2010-2013, and the results showed that there is the impact of a positive accounting disclosures on foreign ownership as well as company size, profitability and dividends declared profits by the company on an annual basis.

Study (Simionescu, 2014): "The Relationship between Trade and Foreign Direct Investment in G7 Countries a Panel Data Approach".

The study aimed to find out the relationship between the volume of direct foreign investment in the developed countries and between exports and imports and foreign direct investment volume for the years 2002-2013, the study found that there is a relationship between foreign direct investment and trading volume in the short and long term.

Study (Cheng, 2014): "The Size of FDI on China and Effect it on Economic Growth"

The study aimed to know the volume of foreign investment in China and see the impact of that investment on economic growth in China, and the results were that the foreign investment a positive relationship with GDP and negative relationship between the growth of foreign savings and the rate of foreign investment growth, and it was for foreign investment positive benefits at the macroeconomic level for China.

Forms of foreign direct investment

Foreign investment joint:

Where the project involved two or more people from different States on a permanent basis, participation here means in the capital and in the administration, experience and patent and trademark and technology (2011, Livingston).

Investment is wholly owned by foreigners:

The establishment of multinational companies to set up branches for the production or marketing or any kind of productive activity commodity or service in the host country and have the freedom to control these activities (Kahef, 2009). Other forms of new foreign investment .

The foreign investor is not the owner of each project, but he has no control over the organization and management of the project, and usually prefer to use this type of participation as a means to identify and measure the profitability of prospective and stability of the market, as well as to facilitate the task of the multinational companies progress to the stage of direct investment, production and provide presence and representation of concrete for the company concerned in the host State (Tommy 2001).

The motives of foreign investment

There are several motives and reasons for foreign investment, according to the opinion of economists and experts of these companies, namely (Muhammad, 2005):

Access to new markets or to achieve greater access to foreign markets that exist.

Maximize profits, the difference in production costs between the host country and the country of the investor, such as licenses and availability of raw materials and labor.

Avoid tariff barriers and technical requirements (such as health, standards and specifications, agricultural) that hinder the movement of trade with these countries.

Access to the markets of other countries through the hosed state of being linked with trade agreements such, between USA and Jordan as the Qualifying Zones in Jordan, and agreements of 2016, between Jordan and the European, which urges the use of Syrian workers in exchange for alleviating the restrictions of rules of origin in the EU relations on exporting goods from these factories, under certain conditions.

Hypotheses:

First:

H0: There is no impact to the proportion of foreign ownership in shares of industrial companies listed on the Amman Stock Exchange on the performance of these companies.

H1: There is an impact to the proportion of foreign ownership in shares of industrial companies listed on the Amman Stock Exchange on the performance of these companies.

Second:

H0: There are no factors that affect the high or low proportion of foreign ownership in industrial companies listed on the Amman Stock Exchange.

H1: There are factors that affect the high or low proportion of foreign ownership in industrial companies listed on the Amman Stock Exchange.

The theoretical framework and theories

The definition of foreign investment: Investment models is happening outside the country of the person by searching for the state to receive this investment, to achieve many of the economic, financial, social and political objectives in order to permanently goal or non-permanent, and perhaps this is a direct investment or indirectly, with the ownership of one or several different countries, perhaps a company or several companies (Kayed, 2008).

Types of foreign investment

Foreign investment is several types:

Indirect foreign investment:

The so-called investment portfolio, which means buying stocks and bonds, securities, and is the fact that investors (natural and legal) of residents of certain state purchased shares and bonds of companies based in other countries than their own with the lack of attention to the level of practitioner influence of censorship and control hand, has been the emphasis of the wallet on the capital safety thereby increasing the value of securities they own.

Foreign direct investment:

A foreign investor owns a local for the entire project or part of it, and have a role to participate in the management and control of the project by Side local investor in the event was a joint investment or full administrative control if the foreign investor to invest solo.

Introduction

After the changes that have accompanied globalization and the openness of the global economy, and the impact on the overall international economic relations, which boils down to: (movement of goods, capital and labor).

This study focuses on the movement of capital, because of the large size of the movement of the money, and because of being one of the most important factors of production and of its own returns on the host countries of these investments.

Because of the need for all countries of the world, rich and poor to foreign direct and indirect investments in order to search for the progress and well-being of the peoples of these countries, poor countries are more need to attract foreign capital, due to the low internal sources of insufficient domestic savings to get the capital needed for local development.

It was necessary to Third World countries must make one of the following methods: (external borrowing, foreign aid, and attract foreign investment), to fill the funding gap faced by these countries, the first alternative has proven to be ineffective where most of the world's poorest countries went bankrupt was unable to pay because of the huge size of this borrowing costs, the second alternative has an impact on the sovereignty of nations and inadequate to meet the financing needs of these countries, so that the last alternative is the demand of all countries of the world, which is to bring direct and indirect investments in parallel with pleural activate domestic investment to stimulate the economy of these countries.

The study questions

Is there an effect on the proportion of foreign ownership of the shares of industrial companies listed on the Amman Stock Exchange on the performance of these companies?

Are there any factors that affect the size of foreign ownership in these companies?

Objectives of the study

The study aimed to:

Knowledge of the effect of foreign ownership ratio for shares of industrial companies listed on the Amman Stock Exchange on the performance of these companies.

Knowledge of the factors that affect the high or low foreign ownership.

**The impact of foreign ownership in Jordanian companies
on Performance:**

An Empirical Study, years 2011-2014

Dr. Ata ta'ani

Abstract:

Foreign investment is very important for all nations, an urgent requirement for the rich and poor countries, but that the need for this funding in poor countries more urgent Because it has a big gap in the financing requirements of the development processes, and that the severe shortage of domestic savings and its inability to meet the requirements of development, because most studies have focused on the study of the impact of foreign investment on the overall local economy (macroeconomic level), due to the lack of studies that focused on the microeconomic level this study focused on the effect of micro-level study the impact of foreign ownership on the performance of local companies, which has a dispute between researchers, between the positive impact of some of the studies and the negative impact of some of the other.

This study examined the impact of foreign ownership on the performance of industrial companies listed on the Amman Stock Exchange listed companies 62 companies, was adopted two measures to measure the performance of this effect (a measure of return on assets, and the measure of Tobin's Q-for performance) and found that there is a negative impact of foreign investment on the performance, but the main reason is due to economic and political conditions that have affected the region in the study period, and though the performance of these companies remained well and achieved earnings in spite of all the surrounding circumstances, and that the main attractions for foreign investment were factors relating to size and profits.

Key words: Foreign investment, foreign ownership, orporate performance, foreign investor, joint ventures, Jordan.