The Relationship among Financial Dependence, Competition & Economic Growth in Jordan

Abstract

This study aims at measuring the degree of competition in banking sector, measuring the effects of financial and non-financial factors that affect on economic growth, and measuring the effect of private credit on such growth in Jordan.

To achieve the goals of this study by testing of hypothesis of study, it concludes that: the banking market in Jordan embody the characteristics of monopolistic competition. It finds also that there are positive relationships among economic growth, share of Value added, and share of GDP from Private credit, while it shows that economic growth negatively correlated with financial dependence, competition and banking concentration indicators.

The study shows not only negative relationships among (financial dependence, competition), (private credit, financial dependence) with economic growth, but also shows positively correlated among interaction relations (total capitalization, financial dependence), (market capitalization, financial dependence) with economic growth.

Finally, the study recommends the necessity of encourage the merging among small banks in Jordan, Provide more financial and investment motives for foreign investment which incoming to banking sector, and re-designing the legislations that related to property rights and standards of financial disclosure.