Political stability and its role in activating the movement of dealing with bank checks and their settlement in the Jordanian banking sector

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Abstract

To achieve the objectives , the researcher of the study used of statistical analysis software (SPSS), in addition to use the descriptive approach in the definition the variables of the study, the study sample included all presented for clearing Central Bank of Jordan for the period (1992-2020), the study found a set of results , but the most important: no statistically significant relationship between the value of splash checks returned and the existence of a positive correlation between the variables of the study. The study recommended the need to adhere the laws and regulations and instructions regarding the granting of Jordanian bank check for clients.

Key words: Check , Central bank , Jordanian banks

. **Introduction**:

The central bank is one of the most important pillars in any country for its role in maintenance of the banking system and supervision on the credit policy in the state , also it is at the forefront of the banking system and clearing, which deals with checks and protection of the check is not a deduction from the debtors, even if there is a good faith to issue the check, But it is used to punish the person who caused the use of the check for the purpose which it was not placed, Which is to be a tool to repayment a previous debt not to hide a loan under the guise of his appearance as a check (Kahla, 2002) , Since the clearing comes from justice and is a way of expiration of the obligation dealing with information by electronic ways (Shuaibi, 2008) , also clearing is a distinctive step in banking system which is depending on effective uses for information and communication technologies to facilitate the transfer and follow-up movement of funds and checks between banks. (Al-Qawasmi, 2016)

The Central Bank of Jordan has taken a decision that the right to collect clearing checks drawn on local banks during the first months of application system.This system started in the second quarter of 2007 based on the provisions of paragraph (b) of Article (37) of the Central Bank Law No. (23) of 1971 and its amendments, Article (92) of the Banking Law No. 28 of 2000, And Article 29 of the Temporary Electronic Transactions Law No. 85 of 2001.Hence, the role of electronic clearing between banks is coming to support this confidence and stimulate the speed of dealing and reassure the client, according to the new electronic clearing system a clearing process became within hours only, while the process of clearing was taking a few days (Hamidat, 2019).

Research problem:

The banks have recently many problems due to their performance due to the global financial crisis, which led many customers to destabilize their confidence on banks. As the check has a great importance, it is a tool of loyalty and debt at the same time, Since the checks submitted to the Central Bank for clearing process, it was necessary to know the impact of the value of the checks provided to the value of checks returned,. The problem of the research lies in the following question:

Is there a statistically significant effect at the level of significance ($0.05 \geq \alpha$) for the check process provided for clearing to value of checks returned during the period (1992-2020)**?**

This leads us to the following sub-questions:

1. What are the means used in the clearing- mechanism?

2. What are the rules which the bank depends on the clearing process?

3. What is the size of the risks come from the value of the returned checks?

Objectives of the study:

The study aims to identify:

1. Know the impact of the value of checks provided for clearing and their impact on the value of checks returned?

2. Know a history of clearing and its mechanism .

3. Define the dependent and independent variables in the study.

The importance of the study:

The importance of the study lies in the importance of electronic clearing in the Central Bank of Jordan and its mechanism of work and the identification of the systems that govern this process and do suggestions that may contribute to develop the clearing performance and raise the level of implementation of these processes quickly and accurately and the mechanism of dealing with returned checks to contribute to the development of work Banking as a whole and keep pace with global banking developments.

Hypotheses of the study:

There is no statistically significant effect at the level of significance ($0.05 \geq \alpha$) for the value of check provided to the value of checks returned during the period (1992-2020).

Methodology of the study:

In order to achieve the objectives of the study, two methods of scientific research will be followed. The first method is the theoretical method, in which the researcher will present the theoretical framework of the study by studying the literature of previous studies and introducing the subject of the study. The second method is the analytic aspect. Collected from published data. The sources of data collection are composed of two parts, as follows:

- Secondary data: It consists of books, periodicals, scientific journals, previous research, university letters and previous studies related to the subject of the study to cover the theoretical framework of the study.

- - Preliminary data: related to the study data represented by the publications of the Central Bank of Jordan and its annual reports on clearing.

Study Society: The study community consists of checks submitted to the Central Bank of Jordan.

Study period: The researcher will cover the period between 1985-2014.

Study Variables: The study variables consist of two types of variables, as follows:

- Independent variables: checks submitted to the Central Bank of Jordan.

- Affiliate variables: Returned checks (return) from the CBJ clearing process

Previous studies:

Arabic Studies:

Masa'dah (2018) conducted a study on "check balance" an analytical study in the Jordanian law in the Hashemite Kingdom of Jordan. For the purpose of obtaining data, the analytical method was used , The study concluded that the preparation of laws and regulations by the Central Bank of Jordan regulates the rules of all bank accounts in accordance with the provisions of the law and the establishment of scientific seminars in the field of banking operations and research in the electronic banking operations and encourage analytical research in this field , And the study showed that there are conditions on the balance of the check which are existence, equality and the possibility of dealing with checks and the equivalent of the amount recorded in the check.

Al-Nasser (2016) conducted a study on "the responsibility of the bank in the implementation of electronic clearing checks in the Hashemite Kingdom of Jordan , The descriptive approach was used. The study reached to important conclusions and recommendations, including that the responsibility was divided between the bank submitting the check and the withdrawing bank , And that electronic clearing was carried out only in two different banks. A precise description of the electronic clearing stages and the adoption of a standard check model were directed.

Yousef (2020) conducted a study on "The Role of the Central Bank of Jordan and the Securities Commission in Implementing the Principles of Corporate Governance in the Jordanian Banking Sector" , In order to obtain the data, the SPSS program, the One Sample T-test and the Cronbachs Alpha test were used. The study found that there is a role for the Central Bank's control over the Jordanian banking sector and the role of the Securities Commission To protect the rights of shareholders and to treat them equally in rights and to ensure the provision of requirements and conditions of transparency and disclosure .

Al-Sharaie (2016) conducted a study on "The impact of regulation of the relationship between the banks involved in the electronic clearing system of the checks on the implementation of their obligations with their customers." For the purpose of obtaining the data has been used descriptive approach, the study has reached a review of the assets and rules of work and operations of electronic clearing Issued by the Central Bank and taking into account the fact that the banks' obligations to their customers are not different even if the electronic clearing process is not possible for any reason and the importance of distinguishing between the electronic clearing system and the electronic check system .

Qawasmi (2016) conducted a study on "Legal responsibilities arising from electronic clearing of checks in Jordanian law" . In order to obtain data, the researcher used descriptive analytical method. The study concluded that in the event of a dispute over the check, the final electronic record is approved. The electronic messages sent by the member through the system to another member (the bank) Shall be deemed to be issued by sender and shall give the consignee the power to identify in the light of what is stated therein. The checks submitted for clearing shall be in Jordanian Dinars This means that the checks issued in foreign currency are not subject to this system according to the study and the inability of the Agency's theory to establish a sound legal basis for the transfer of funds between Accounts arising from the implementation of the electronic clearing process .

Abu Rahma (2016) conducted a study on "Methods of Implementation of Electronic Commerce Operations and Accounting equalization Systems" , In order to obtain the data, the descriptive analytical method and the statistical analysis program (SPSS) were used. The study concluded with the preparation of a secure accounting system through which e-commerce operations are carried out and the need to prepare a specialized human cadre who is an expert in e-commerce and preparing educational bulletins that reassure the customer .

Al-Kikhan and others . Conducted a study on " the impact of economic factors on returned checks (2017) " . In order to obtain data, the statistical analysis program (SPSS) was used , The study concluded that the economic factors affect the checks returned in statistical terms. The economic factors of statistical importance in influencing the number and size of the returned checks are the credit facilities. The rate of inflation and credit facilities in the form of current accounts are factors of statistical importance on the value of returned checks .

Zhaodong & Yee (2020) conducted a study entitled "The effect of central clearing on ==liquidity== and trading risks". For the purpose of obtaining data, an analytical model was used to find a relationship between certificates of deposit with high risk and central clearing operations, The researcher recommends that the transparency of commercial banks should be increased in order to avoid risks in the banking market.

Lashhab & Melhem (2020) conducted a study entitled "The Legal Regulation of the Electronic Clearing System for Checks and Legal Relations arising through Jordanian Law". For the purpose of obtaining the data, the analytical descriptive method was used. The study concluded that there is a positive relationship between the Jordanian law And the electronic clearing system, which limits the problem of returned checks (returned).

The Micheal & Others (2020) conducted a study entitled "The regulatory framework of some clearing agencies in the countries of the world." For the purpose of obtaining data, the researcher used the descriptive approach and the monthly sensitivity analysis of checks by back testing. The study concluded that the decisions of the Basel Committee that govern the operations of banking banks must be adopted, and the adoption of rules consistent with the work of banks with clear points of arbitration mechanism of the clearing work under the supervision of the Central Bank of the State, and stimulate banks that follow these instructions. The study recommended the establishment of an international organization working on the establishment of clear standards, laws and legislation for the clearing mechanism to be approved throughout the world and in case of disagreement, the organization is responsible.

Jon (2020) conducted a study entitled "Certification of clearing: creating a credit-checking tool for OTC derivatives." For the purpose of obtaining data, the researcher used interbank questionnaire to find out how checks worked, And inter-bank questionnaire to show how they deal with the clearinghouse The study concluded that there are three methods that the bank should follow in the event of a problem with the check with the customer first, informing the customer of what happened, and the customer immediately settles his banking situation Finally the hybrid solution is to push towards the electronic approach between the customer and the bank and the clearing house through many Methods like (Workflow) and Giving better visibility on credit lines and less delay in settling the clearing system business for customers.

Saunders (2013) conducted a study entitled "Proposal for the Return of Checks and its Mechanism of Work in the United States of America". For the purpose of obtaining data, the collection models between banks (descriptive) was used, the study found that this model will contribute to reducing the number of checks returned, However, it will increase the period of collection of the check to approximately 16 days and will increase the number of employees in the returned checks and record them.

US Federal Bank (Research Department) (2014) conducted a study entitled "Clean check in the 21st century", and for the purpose of obtaining data used statistical analysis (financial), The study found that the Federal Reserve's instructions led to reduce the percentage of checks by the bankers, failure of some banks to comply with the instructions of the Federal Reserve regarding

the collection of checks required and weak coordination between banks regarding the existence of the balance of the drawer before accepting the check deposit for collection in the case of checks drawn on other banks.

What distinguishes this study from previous studies:

This study is characterized by being one of the studies that dealt with a subject of great importance which is the impact of the value of checks submitted to the Central Bank of Jordan on the value of returned checks. At the national level there are studies dealing with electronic clearing operations independently, But this study was conducted in different circumstances from the previous studies - according to the researcher.

The most important characteristic of this study is that it dealt with an independent variable with a dependent variable, unlike those of previous studies. Another point that characterized this study was the adoption of a model whose data are collected through the annual reports of the Central Bank of Jordan.

Comment on previous studies:

The previous studies were in two parts the first is a theoretical information, the second is the risks and effects of the value of returned checks. Through of previous studies and research on the impact of the value of checks submitted to the Central Bank of Jordan and its impact on the value of returned checks showed a strong impact, between the checks submitted for clearing and the checks returned.

Most previous studies have highlighted the importance of the role of checks in banking life, its mechanism and the role of clearing houses , as well as the importance of the work of central banks in countries.

Clearing and Electronic Clearing

Definition of Clearing According to the banking system:

Clearing in the banking system is defined as "the process by which checks are collected from a bank's client's account to another bank's customer account through a room called a clearing house.

The clearing-house regulations of central banks define them as "the exchange of checks, payment orders, transfers and inter-bank negotiable bonds".

Definition of clearing room: clearing house

"A consortium of banks whose primary function is to facilitate the exchange of checks and other securities in accordance with the agreement between members for the purpose of settling accounts between members so as to avoid the unnecessary movement of balances."

It is also known as: "An office in the Central Bank where the representatives of the member banks meet in the Chamber with a fixed hour of each working day to exchange the checks drawn on each of them and to pay the net balances resulting from the exchange process under the supervision of the Director of the Clearing House.

The importance of the clearing house is that it performs services of great importance to the member banks. Without the clearing house, each bank will be obliged to review several banks with its different branches to defray the checks drawn upon it. The presence of the chamber avoids the problems of auditing, exchange, catch and transport. A waste of effort and time, as well as various risks.

As the clearing is both tool fulfillment and security, the importance of the Clearing House increases, especially in business processes that rely on speed of dealing and simplification of procedures to facilitate the conclusion and timely implementation of such transactions, which are appropriate to the nature of trade.

Definition of electronic clearing:

It is the process of exchanging information (which includes data, pictures and check codes) using electronic means through the electronic clearing center of the Central Bank of Jordan and determining the net balances resulting from this process at a specified time.

Data analysis and hypothesis testing.

Description of study variables:

After reviewing the annual reports issued by the Central Bank of Jordan, the data required for the study were obtained annually. These data represent the value of the checks submitted for the clearing and the value of the returned checks from the clearing process. These data represent the study variables through which we can get to know the effect The value of checks submitted to the clearing and its impact on the value of checks returned, and I will do a series of statistical and descriptive tests for the variables of the study, as the tables below show a summary of the results of descriptive statistics for the variables of the study, during the period (1985-2014).

Table (1) Data needed for analysis

Returned **checks**	**Checks presented for clearing**	Year
176.6	4394.3	1992
155.4	4657.4	1993
115.4	4834	1994
110.2	5335.7	1995
133.9	5160.8	1996
148.7	5048.2	1997
156	5060.9	1991
218.7	6183.2	1998
286.3	7220.3	1999
372.1	7942.2	2000
400.4	8390.2	2001
442.2	8645.2	2003
434.7	8611.5	2004
512.8	8819.7	2005
509.6	8828.9	2006
494	8891.7	2007
515.5	8958.2	2008
486.6	8577.5	2009
497.1	8475.6	2010
364.1	8516.4	2011
386.4	9588.9	2012
429.4	10931.9	2013
626.6	10901.9	2014
738.2	11943.6	2015
712.5	11484.9	2016
603.8	10498.8	2017
589	10908.8	2018
537.5	11141.7	2019
536.4	10.7661	2020

Source: Central Bank of Jordan

Methodology of the study:

The researcher used the analytical method, in order to answer the questions and hypotheses of the study, by collecting data from its sources.

Statistical Methods:

Use the appropriate statistical tests to answer the study questions and test their hypotheses derived from the statistical package (SPSS). Therefore, the following will be used:

- Normal Distribution test using the (One-Sample Kolmogorov Test) .

- Pearson correlation coefficients to test the independence of independent variables.

- Standard averages and standard deviations.

- Simple regression analysis to test the validity of the study model and to know the effect of the independent variable on the dependent.

- paired sample t-test.

2. 5 Presentation of the Study Results:

The following is an overview of the results obtained after the analysis of the data obtained through the study tools, and the implications of the differences for the variables of the study will be revealed by answering the hypotheses of the study.

Answer the main hypothesis of the study, Which states:

There is a statistically significant effect at the significance level of a <0.05, between the value of the checks submitted for clearing and the value of the returned checks.

To answer these hypotheses, the researcher used the simple regression test. To use the simple regression, the researcher performed the following tests to verify the validity of using the simple regression model as shown below:

First: The normal distribution test of the variables of the study (Normality).

The following table shows the values of the significance levels for the natural distribution of the study variables. All the variables were distributed according to the Kolmogorov-Smirnova test. Most of the statistical significance levels were greater than (0.05), which is not statistically significant, Indicating that data distribution is not a natural distribution, as follows:

Table (2)

Normal distribution of study variables using Kolmogorov-Smirnov

One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		قيمة الشيكات المقدمة للقاص	قيمة الشيكات المعادة المرتجعة
N		29	29
Normal Parameters[a,b]	Mean	7929.7643	403.1069
	Std. Deviation	2744.866	185.33982
Most Extreme Differences	Absolute	.187	.131
	Positive	.104	.131
	Negative	-.187	-.122
Kolmogorov-Smirnov Z		1.009	.703
Asymp. Sig. (2-tailed)		.261	.706

a. Test distribution is Normal.

b. Calculated from data.

The above table shows that most levels of statistical significance are greater than (0.05), which is not statistically significant, indicating that the distribution of data is not a natural distribution.

The researcher also extracted the correlation matrix between the variables of the study, as shown in the following:

Table (3)

Link matrix between independent and dependent study variables

Correlations

		قيمة الشيكات المقدمة للقاص	قيمة الشيكات المعادة المرتجعة
قيمة الشيكات المقدمة للقاص	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	29	29
قيمة الشيكات المعادة المرتجعة	Pearson Correlation	.701**	1
	Sig. (2-tailed)	.000	
	N	29	29

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

The above table shows that there is a correlation between independent and dependent study variables. Where the coefficient of correlation between the value of the returned checks and the value of the submitted checks for clearing was 0.70.

The researcher also extracted the arithmetical averages and the standard deviations for both the value of the returned checks and the value of the certificates submitted checks for clearing , as shown in the
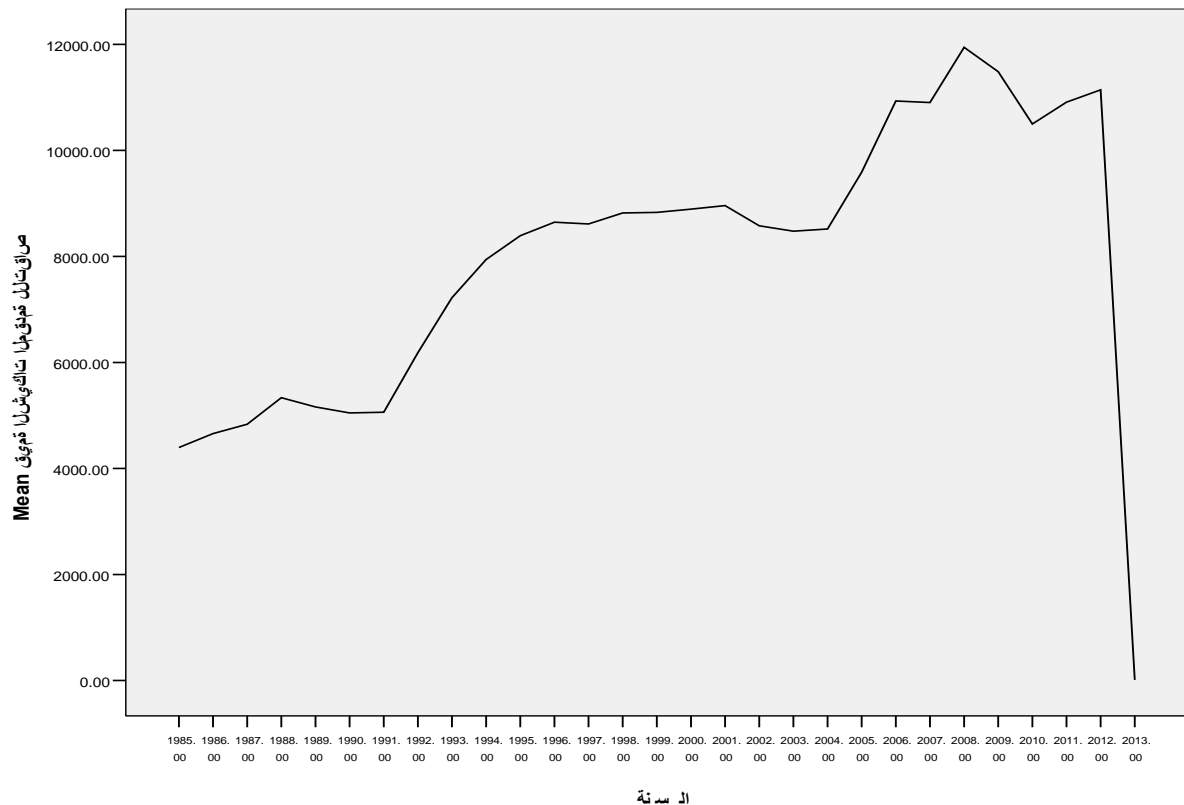
following table:

Table (4)Statistical averages and standard deviations of the variables of the study

Descriptiv e Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
قيمة الشيكات المقدمة للمقاص	29	10.77	11943.60	929.7643	2744.86595
قيمة الشيكات المعادةالمرتجعة	29	110.20	738.20	403.1069	185.33982
Valid N (listwise)	29				

The above table shows that the averages of the checks value submitted for clearing were 929.76 and by a standard deviation of 2744, and the value of the returned checks was 403.1 and by a standard deviation of 185.3.
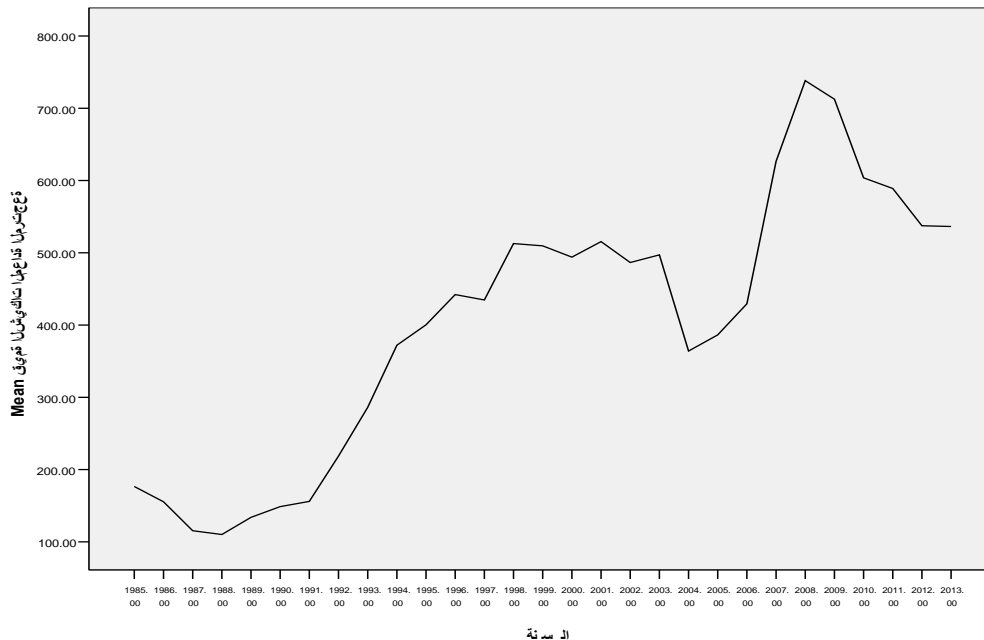
During the years 1985-2013, the researcher also represented the data of the checks submitted to the Clearing House and the returned checks as shown below:

First: Checks submitted for clearance:

The above figure indicates that there was an increase in the value of the checks submitted for clearing during the years 1985-2013, showing that the increase was during the years 1985 to 2012, until it decreased in 2013.

Second: The value of returned checks :

From the previous figure, there is a fluctuating increase in the value of checks returned during the years 1985-2013, showing that the increase was between 1985 and 2013.

The researcher also carried out the correlation tests, among the study variables, as shown in the following:

Table (5)

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	قيمة الشيكات المقدمة للتقاص	7929.7643	29	2744.86595	509.70881
	قيمة الشيكات المعادة المرتجعة	403.1069	29	185.33982	34.41674

Paired sample t-test

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	قيمة الشيكات المقدمة للتقاص & قيمة الشيكات المعادة المرتجعة	29	.701	.000

Paired Samples Test

	Paired Differences							
			Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
	Mean	Std. Deviation		Lower	Upper			
Pair 1 قيمة الشيكات المقدمة للتقاص - قيمة الشيكات المعادة المرتجعة	7526.657	2618.26041	486.19875	6530.724	8522.590	15.481	28	.000

The results of the paired t-test showed a statistically significant positive correlation between the checks submitted to the clearing and the returned checks, which reached a value of 15.4 and a statistical significance level of 0.00.

3. 5 hypothesis test:

In order to answer the main hypothesis that said, there is an instrumental relationship between the checks submitted for the deduction and the value of returned checks. The researcher analyzed the simple regression of the independent variable on the dependent variable (1985-2013), as shown in the following tables:

Table (6)

Simple regression analysis of independent variable effect on dependent variable

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.492	.473	134.58283

a. Predictors: (Constant), قوة التأثيرات المقدمة للقطر

b. Dependent Variable: قوة التأثيرات المعادة المرتجعة

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	472785.3	1	472785.307	26.103	.000[a]
	Residual	*********	27	18112.537		
	Total	961823.8	28			

a. Predictors: (Constant), قوة التأثيرات المقدمة للقطر

b. Dependent Variable: قوة التأثيرات المعادة المرتجعة

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.709	77.611		.357	.724
	يمة الشيكات المقدمة للتقاص	.047	.009	.701	5.109	.000

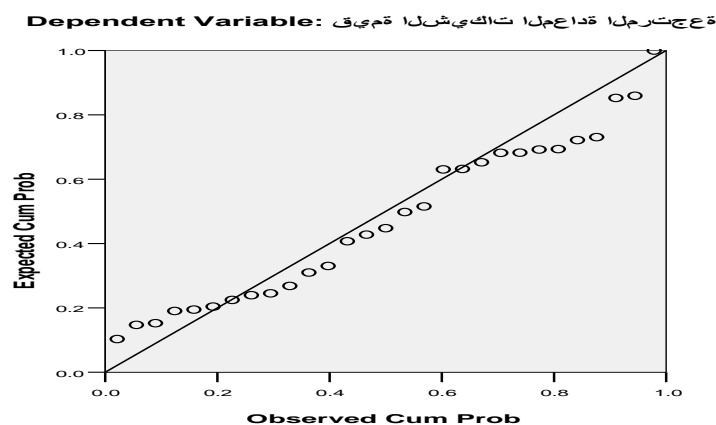a. Dependent Variable: قوة التأثيرات المعادة المرتجعة

The correlation between the independent variables and the dependent variable is shown in the previous table. The coefficient of correlation (0.70) is considered to be medium and positive, and the coefficient of determination (R^2) is 0.49, meaning that (49%) of the changes in the values of the returned checks are due to the value of the clearing checks .

The results of the simple regression analysis showed that the analysis of the single variance of the significant effect of the regression on the effect of the independent variable on the dependent variable during the years 1985-2013 reached 26.1 with a significance level less than 0.05.

This result confirmed by T- test with a value of 5.1 and a level of significance less than 0.05.

The researcher also represented the linear regression equation between the independent variable and the dependent variable, as shown in the following figure:

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: قيمة الشيكات المعادة المرتجعة

The figure shows a positive correlation between the independent study variable and the dependent study variable.

Summary of results:

- A statistically significant correlation relationship at the significance level of a <0.05, between the value of the checks submitted clearing and the value of the returned checks.

- The above figure shows that there is a fluctuating increase in the value of checks returned during the years 1985-2013, showing that the increase was during the years 1985 to 2013.

- The above figure shows that there was an increase in the value of the checks submitted for clearing during the years 1985-2013, showing that the increase was during the years 1985 to 2012, until it decreased in 2013.

Conclusions and recommendations

First: Results

1. Most levels of statistical significance are greater than (0.05) and are not statistically significant, indicating that the distribution of data is not a natural distribution.

2 - There is a correlation between the independent and dependent variables of the study , where the correlation coefficient between the value of checks submitted for clearing and the value of checks returned was (0.7).

3 - There has been a fluctuating increase in the value of the checks submitted for clearing during the years (1985-2013), where the analysis shows that the increase was during the years (1985-2012) until it decreased in 2013.

4 - There is a positive correlation of statistical significance between the checks submitted for clearing and checks returned, where it value was (15.4) and the level of statistical significance was (0.00).

5- The average and positive effect between the independent variable and the dependent variable reached (0.7) and the coefficient of determination (2R) reached (0.49). That is, the value of (49%) of the changes in the value of the returned checks is due to the value of the checks submitted for clearance.

6 - There is a significant statistical effect between the independent variable and the dependent variable using simple regression analysis during the years (1985-2013) was (26.1) and a statistical significance less than (0.05).

7 - There is a positive relationship with an influential relationship between the variables of the study.

Second: Recommendations:

1 - The necessity of the concerned authorities (the Central Bank of Jordan) to develop the laws and legislations for banks that do not practice rules and instructions that monitor customers, and the mechanism of granting them checkbooks are in violation of the law and must be punished this is what the study of the Federal Reserve Bank revealed.

2- The fine on the returned check shall be raised so that it will not be fines only but it shall be penalties for check cannot be written for one month, freezing the account for one week, and so on.

3- Forming a model by the Central Bank of Jordan, distributed to the banks and filled by the customer, showing the suitability of this customer and the possibility of granting him a check book and monitoring his account centrally.

4. Conduct new research on the effectiveness of the procedures for implementing the clearing-house system and the tremendous development that took place after 2007, so that we can judge this experience.

5 - Mitigation the returned checks to focus and give attention to customers, which is issued to them large checkbooks, by giving them sessions to show the risks of the check returned and the mechanism of dealing with checks and account.

6 - Working to raise the awareness about banking for customers, and show the importance of the check returned , caution and warning from the black list.

7 - Do not exaggerate , excessive and nepotism in granting customers a large number of checkbooks, this is by mechanisms and controls determined by the Central Bank , followed and punished by Central Bank .

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