

## *chapter five*

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## CHAPTER - 5

THE ROLE OF THE C.B.J. IN THE  
ECONOMIC DEVELOPMENT OF JORDAN

## INTRODUCTION :

Much of the economic development that had occurred at the national front in this century owes substantially to the existence and evolution of the Central Banking Institution.

Today, economic growth is being increasingly considered to be the most important objective by almost all underdeveloped countries, and it is now generally believed that the economic growth can be accelerated by applying the process of planning, and by integrating the fields of central banking with economic planning.

The role of central banking is to facilitate the development of financial markets as well as economic planning in any country. This is quite significant in view of the fact that costs of development are greater today, fields for development are wider and social consciousness is much more awakened than ever before. As far as Jordanian economy is concerned, the idea of Central Banking is relatively a recent one presumably because the Central Bank of Jordan (C.B.J.) was established in 1964<sup>1</sup> in sharp

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1. Jordan Currency Board was established in 1950 with Head Office in London and whole functions were confined to maintaining sterling assets against the issue of local currency.

contrast to the establishment of the Bank of England in 1694 and also with respect to the evolution and development of Central Banking in others countries. It might appear that the C.B.J. is at an advantage in the sence that it has the benefit of drawing on the experiences of other countries with respect to Central Banking and that with minor modifications, it can model its own monetary institutions in a manner similar to the one adopted by other economies. This is however, too simplistic and superficial view that one can adopt. This is primarily because within the context of Jordanian economy a Central Bank has a very different, dynamic and challenging role to play. The Central Bank of Jordan has to function in a totally different economic and political environment and hence it has to adopt proper techniques and has to carry out innovations which have to meet the specific problems and challenges of Jordanian economy. There are various objectives like, economic growth, price stability, full employment, equitable distribution of income... etc, that an economy would strive to achieve in the short run and in the long run. The Jordanian economy is no exception to this.

The role of the central bank in a developing economy is essentially that of balancing the various objectives both in the short run and in the long run. There cannot be sustained growth without some degree of stability, in view of this there should neither be any conflict between monetary policy and developmental policy, nor should there be any conflict between different objectives of monetary

policy. In other words the central monetary authority has to device a policy which will suit its country best, this in turn will depend largely upon the stage of development of that country's financial institutions as well as on the prevailing monetary and banking traditions. It is through constant changes in the techniques of monetary management and also through the development of new instrument of credit control that the central bank can help to bring about rapid development with stability. to accomplish this, the central bank has to take on a positive developmental role and seek actively to build up, extend and strengthen the country's banking and financial structure. Extention of Banking facilities, both for mobilization of savings and for channelling of credit into productive and promising sectors, is an important and integral aspect of economic development.

The development of an adequate credit organisation calls for, a part from institutionalization of savings and investments, a wide geographical coverage to serve the public. This is necessary not only to cater adequately to the financial requirements of the public in general, but also to promote the saving habits through deposit investment of such savings in these institutions.

This particular chapter concerns itself with the role of the Central Bank of Jordan in the development process of Jordan economy. It also explains how far the Central Bank of Jordan has been successful in assisting the government in speeding up the processes of economic growth in Jordan during the development planning period and to what

extent this growth has been achieved in an environment of reasonable stability, it also examines the promotional role of the Central Bank of Jordan in setting up an institutional structure which specializes in the collection of savings and the profitable investment, and in devising the appropriate steps to meet the needs of important sectors of Jordanian economy where adequate resources are not available.

The law (October 1, 1964) establishing the Central Bank of Jordan states the followings :

"The objectives of the Central Bank should be to maintain monetary stability in the Kingdom and to ensure the convertability of the Jordan Dinar, and to promote the sustained growth of the economy of the Kingdom in accordance with the general economic policy of the Government"<sup>2</sup>.

The preceeding paragraph clearly brings out the importance of the Central Bank in Jordan economy as well as its priorities towards which the attention and the functioning of the central bank would be directed.

In order to render the issue of the role of the Central Bank analytically tractable and more precise, we propose to examine and highlight the economic role of the Central Bank of Jordan in the form of a regulating body and as a promotional and developmental monetary authority. The regulatory role of the Central Bank of Jordan will include analysis of the role of monetary policy, the regulation of

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bank credit, the investment portfolio of the commercial banks and the problem of economic growth with stability.

On the other hand, the promotional and developmental role of the Central Bank of Jordan would be appraised within the needs of agricultural credit and also in the sphere of industrial finance. (Which has been taken separately in the preceeding two chapters). It will also include the role of the Central Bank of Jordan in the regulation and control of commercial banks in Jordan.

#### **THE ROLE OF MONETARY POLICY IN THE PERIOD FROM 1964 - 65 TO 1971 - 72**

The significance of a sound monetary policy had already been emphasized by the Governments and the Central Bank of Jordan since the inception of central banking in Jordan. It was rightly thought by the policy makers, that Central Banking in a growing economy had to take on an active role in increasing development activities and insuring that finance would flow to the fields envisaged. As a matter of fact, the acceleration of the economic development was the watchword of monetary policy during the period 1964 to 1968.

As indicated by the Tables 5.1, 5.2 the nominal money stock (M1) had shown an average annual growth rate of about 23% and the measure (M2) had shown an average annual growth rate of about 19%. Interestingly (M1) has recorded the highest growth rate of 34% during the period 1966-67 and during the same period (M2) showed exceptionally high growth

rate of 24%. This indicates that Central Bank, to start with, had followed a relatively easy monetary policy. This is true in view of the fact that from 1968 onwards, the Central Bank had followed relatively a restrictive monetary policy, besides this the Government's expenditure had also shown sizable increase in its growth rates in number of year since 1964. In fact Government expenditure exhibited an increase of about 75% during the period 1966-67.

Table 5.1 : Sources of Money Supply in Jordan 1964-71  
(In Thousands of JDs)

Years	Currency with the Public	Demand Deposite	Money Supply (M1) 4=2+3	Quasi- Money 5.	Money Supply (M2) 6= 4+5
1.	2.	3.	4=2+3	5.	6= 4+5
1964	23024	16733	39757	13809	53566
1965	26352	20766	47118	16987	64105
1966	30332	25701	56033	19785	75818
1967	51519	23718	75237	18836	94073
1968	63546	26431	87977	20837	108814
1969	71292	24929	96221	22616	118837
1970	82430	23032	105462	23667	129129
1971	83008	24989	107997	27114	135111

Source : C.B.J. yearly statistical series 1964 - 1963)  
Table No. (3)

Column 2 = Currency issued minus currency held by Banks  
Column 4 = Total of column No.2 plus column No.3  
Column 6 = Total of Column 4 plus Column 5

Table 5.2 : Growth Rates of Main Monetary Indicators  
1965-1971

(Percentage)					
Years	Currency with the Public	Demand Deposite	Money Supply (M1)	Quasi- Money	Money Supply (M2)
1.	2.	3.	4.	5.	6.
1965	14.4	24.1	18.5	23.0	19.6
1966	15.1	23.7	18.9	16.5	18.3
1967	69.8	(- 7.7)	34.3	(-4.8)	24.1
1968	23.3	3.0	16.9	10.9	15.6
1969	12.2	2.0	9.4	8.5	9.2
1970	15.6	(- 7.6)	9.6	4.6	8.6
1971	0.7	8.5	2.4	14.5	4.6

Source : Calculated from sources of Money Supply in Jordan in the C.B.J. yearly statistical series (1964-1983) Table No. 3 - (Figures Between Brackets Indicate Minus)

As indicated by the Table 5.3, during the period 1964-70, the cash ratio has increased upto 1967 and then it has declined, this indicates that there was relatively less borrowings by the commercial banks from the Central Bank of Jordan, On the other hand, investment ratio has shown increases and also the credit/deposit ratio was also increasing, this means that the investments by the commercial banks and the demand for credit by the various sectors were rising.



Table 5.3 .: Borrowings from Central Bank of Jordan, Expansion of Bank Credit and Investment and other Related Data of Commercial Banks in Jordan 1964-1971.

Year	Cash Ratio	Investment/ Deposit Ratio	Credit/ Deposit Ratio	% of total Banks Credit/ borrowings from C.B.J.
1.	2.	3.	4.	5.
1964	3.4	0.4	62.2	-
1965	21.2	0.9	79.0	-
1966	29.2	1.5	76.9	-
1967	36.0	1.8	75.8	-
1968	33.3	1.9	78.3	-
1969	26.3	1.8	82.7	-
1970	26.9	1.6	82.6	0.5
1971	28.5	1.5	81.5	1.5

Source : 1. Calculated from C.B.J. various annual Reports.  
2. C.B.J. Annual Statistical series (1964-83) various Tables.

Column 2 : Percentage of cash and balances with the C.B.J. to aggregate Deposits

$$= \frac{\text{Cash and Balance with C.B.J.}}{\text{Deposits}} \times 100$$

Column 3 : Percentage of Domestic Investment to aggregate deposits

$$= \text{Investment} / \text{Deposits} \times 100$$

Column 4 : Percentage of Total Bank Credit to Aggregate deposits

$$= \frac{\text{Total Bank Credit}}{\text{Deposits}} \times 100$$

Column 5 : Borrowings from C.B.J.  
=  $\frac{\text{Borrowings from C.B.J.}}{\text{Bank Credit}}$

Note : Borrowings from C.B.J. have started first time in 1970.

It is no denying the fact that monetary stability characterized the Jordanian economy for a number of years prior to 1967, during the same period, money supply and

credit volume expanded at a moderately higher rate than that of G.N.P. In the 1967, Post-war period, however, money supply increased by considerably higher rates than G.N.P., generating potential inflationary pressures, these pressures have had some upward effect on the price level and imports. The Central Bank of Jordan had studied and adopted measures to reduce the effects of this monetary expansion, both on price levels<sup>3</sup> and on any increase in imports of consumption goods.

A part from discretionary changes in money supply, brought about by Central Bank of Jordan, the Government spending and foreign exchange reserves were the most important factors affecting money supply as indicated by the Table 5.4.

As far as monetary development are concerns, they are reflected in the assets and liabilities of the Central Bank of Jordan as shown by the Tables 5.5 (a) and 5.5 (b) respectively. The Bank's assets (= Liabilities) increased from JD 25882 thousand in 1964 to JD 106520 thousand in 1968 and it further increased to JD 112513 thousands in 1971. These increases in assets are basically attributed to the domestic currency and also the larger facilities in Treasury Bills and advances to the Government and also to the loans and discount bills facilities extended to the banking system by the Central Bank of Jordan.

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3. Until the early years of 1970s, an index number of the price level in Jordan has not been compiled. the cost of living index which was introduced in 1967 has been used as indicator of price trends.

TABLE NO. 5.4 : Changes in Money Supply and Factors Affecting Money Supply 1964-1971

(In Thousands of JDs)

End of period	Annual Change			Change in Factors affecting Money Supply								
	Currency with the public	Demand Deposits	Money Supply (M1)	Foreign Assets	Credit to Private Sector	Credit to Municipalities & Public Corps	Govt. Bills and Bonds	Advances to Govt.	Semi-Govt. Deposits	Quasi Money	Capital and Reserves	Others factors
1.	2.	3.	4 =2+3	5.	6.	7.	8.	9.	10.	11.	12.	13.
1964	2631	445	3076	16045	3013	689	---	--	9901	2670	--	4100
1965	3328	4033	7361	7277	3756	454	--	--	1764	3178	1160	1552
1966	3980	4935	8915	7607	5562	515	75	--	437	2798	1933	324
1967	21187	1983	19204	25540	327	342	75	--	12024	949	570	5369
1968	12027	713	12740	15513	1442	763	---	--	1405	2001	1435	137
1969	7746	498	8244	10081	5149	748	7714	--	10639	1779	1719	931
1970	11138	1897	9241	1507	146	107	5502	--	6785	1051	2159	1627
1971	578	1957	2535	4037	1305	425	9625	1435	3382	3447	1481	7634

Source : C.B.J. Yearly Statistical Series (1964-1983) Table No. 4

Column No. 8 Includes Advances to Government in the Year 1966, 67, 69 and 1970

Table No.5.5(R) : Assets of the Central Bank of Jordan 1964-1971

(In Thousands of JDs)											
Year	Gold	Special Drawing Rights	Assets in Convertible Currencies	Other Foreign Assets	Treasury Bills	Govt. of Jordan Bonds	Advances to Specialized credit institutions.	Advance to Govt.	Contribution to local Financial Institutions.	Deposits with Comm. Banks	Total Assets
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	13. (2+3+4+5+6+7+8+9+10+11)
4	--	--	25777	--	--	--	--	--	--	--	25882
5	1219	--	47738	--	--	--	--	--	--	--	49113
6	1218	--	57617	--	--	--	--	--	--	--	58922
7	2342	--	84270	544	--	--	--	--	--	--	92594
8	12002	--	89109	470	--	--	--	--	--	--	106520
9	12008	--	81684	57	3948	--	--	--	--	--	101082
10	12011	960	78203	128	8179	--	--	1695	--	1278	106989
11	12014	1831	74836	556	12592	--	255	3130	--	5778	112513

Source : Central Bank of Jordan, Yearly Statistical Series (1964-1983) Table (6)

Item No.4 = Figures include balances and Deposits + Treasury Bills plus Bonds.

TABLE NO. 5.5(B) : Liabilities of the Central Bank of Jordan  
1964-1971

(In Thousands of JDs)								
Year	Currency Issued	Current and Deposit Accounts	Capital	General Reserves	Deposits in Convertible Currencies	Allowances	Other Liabilities	Total Liabilities
1.	2.	3.	4.	5.	6.	7.	8.	9 = (2+3+4+5+6+7+8)
1964	24390	365	1000	—	—	—	127	25882
1965	27635	18299	1000	843	—	—	1336	49113
1966	31883	23874	2000	766	—	—	399	58922
1967	53018	36403	2000	1091	—	—	82	92594
1968	65310	37502	2000	1691	—	10	7	106520
1969	73144	23331	2000	2591	—	—	16	101082
1970	84410	15889	2000	3691	—	960	36	106986
1971	84595	17426	2000	3133	—	5350	9	112513

Sources : Central bank of Jordan, Yearly statistical series  
(1964-83) Table (7)

Column No.3 = Includes Govt, Public Corporations, banks and others.

From table 5.6(a) and 5.6(b) we can see that the Jordanian economy has achieved reasonable growth rates in various economic sectors inspite of 1967 war and aftermath. The G.N.P. has declined from its highest growth in 1969 of about 17.36 while in real terms the ratio was 8.85 for the same year and kept on declining through out the remaining years of the period as indicated by Table 5.6(B).

This indicates that the measures to combat inflations did not work effectively. Money supply decreased from a rate of 16.93 percent in 1968 down to 2.40 percent in 1971.

This resulted from the slow down in economic growth rates. This slow down occurred inspite of the expensichory measures taken by the Cntral Bank to augment the liquidity of the commercial banks to enable them extend more credit as indicted by the increase in the credit of commerical Banks, from JD 38.89 millon in 1967 to JD 46.9 million in 1971.

As a result of reduction in the growth of domestic liquidity the growth of credit to extended by commercial banks suffered a set back by reduction in its growth from 10.71 percent in 1969 down to of 3.02 percent in 1971. This can explain the tighter credit policy on the part of commercial banks on one hand and the reduction in demand for loans on the other. Other figures and ratio can be seen from the Tables.

The Banking system in Jordan, as has been mentioned earlier, consists of Central Bank, Commercial

Banks, Specialized Credit Institutions, The Amman Financial Market and various financial intermediaries comprised of investment banks, companies in financial brokerage, savings and investment, real estate investments, insurance and exchange. The Central Bank of Jordan has done Pioneering work for the development of a sound financial structure and rapid economic growth of the Jordan economy. The Central Bank has assumed a crucial role in Jordan economy since the inception of planning in 1972. During the last sixteen years, the Central Bank of Jordan has adopted various policy measures for the achievement of macro-economic objectives and for the development of well organized financial infrastructure.

Table 5.6(A) Main Monetary Indicators 1967-1971  
(In millions of JDs)

Year	The Amman Cost of living Index	Gross National Product	G.N.P. in Real terms	Money Supply (M1)	Comm. Banks liqui dity ratio	Comm Banks reserve ratio	Comm. Banks credit
1.	2.	3.	4.	5.	6.	7.	8.
1967	100.0	205.95	205.95	75.24	42.3	29.2	38.89
1968	99.7	197.28	197.87	87.98	42.6	27.9	41.00
1969	107.5	231.54	215.39	96.22	39.1	21.3	45.39
1970	114.8	226.25	197.08	105.46	38.6	21.1	45.55
1971	199.7	239.20	199.83	108.00	40.3	22.1	46.93

Source : C.B.J. Annual Report 1971 p. 33

Table 5.6(B) : Growth Rates of the Main Monetary Indicators 1968-71.

Year	Gross National Product	G.N.P. In real terms	Money Supply (M1)	Commercial Banks Credit
1.	2.	3.	4.	5.
1968	(-4.21)	(-3.93)	16.93	5.42
1969	17.36	8.85	9.36	10.71
1970	(-2.29)	(-8.51)	9.60	0.35
1971	5.73	1.39	2.40	3.02

Source : 5.6(A)

### THE CENTAL BANK OF JORDAN - POLICIES AND PERFORMANCE DURING 1971 - 1975

For the Jordanian economy, the period of five years following 1970 was very significant in view of the fact that in 1972 the Jordanian economy withnessed the formulation of the Three-Year Development Plan and the holding of the Jordan Development Conferences<sup>4</sup>. The Plan marked out a number of goals requiring new policies and measures related to investments, soruces of finance and organization geared towards improving economic efficiency. The plan also aimed at fundamental requisities such as creating a suitable and basic institutional framework, modernizing and improving the performance of the Government systems, Providing proper climate for the private sectors, emphasizing manpower training and adopting effective economic policies. Viewed in this context, the role of Central Bank of Jordan would become of paramount

4. The Conference was held in Amman from Nov. 11 to 13, 1972 under the motto "Partners in Development".



significance and it deemed necessary that the Central Bank would respond positively and dynamically to cater to the changing needs and priorities of Jordanian economy, especially to the major aims of the Three Year Development Plan.

The Jordanian economy showed remarkable improvement in 1972 in comparison with 1971. The Gross National Product increased by 6.7%, Income generated from construction sector increased by 53.3%, contribution of Agriculture or Agricultural income showed an increase of 3.2%, the industrial production of principal industries registered a gain of 22.4%. Similar information is clear for other years from Table No. 5.7.

Table No. 5.7 : Main Monetary Indicators 1971 to 1975

No.	Item	% change 1971-72	%Change 1972-73	%change 1973-74	%change 1974-75
1.	G.N.P at Market Prices	6.7	3.6	26.6	22.9
2.	Industrial and Mining Income	16.5	7.1	46.8	60.3
3.	Industrial Production Index (1966-100)	22.4	9.9	6.1	7.4
4.	Agricultural Income	3.2	(-32.9)	81.7	(8.2)
5.	Construction Activity	53.3	22.2	24.2	3.8
6.	Govt. Expenditures	21.2	8.3	32.3	38.2
7.	Money Supply (M1)	6.5	21.0	22.3	28.4
8.	Cost of Living Index, 1967 = 100	8.0	10.4	20.0	12.0
9.	Private Sector Deposits	25.4	19.8	30.4	39.0
10.	Comm. banks Credit	7.9	22.1	35.9	44.5
11.	Gold and Foreign Exchange Reserves	8.4	6.4	8.8	47.1

Source : C.B.J. Annual Reports, various issues.

From the previous table, following points are worth noting.

1. The highest growth rate in Nominal GNP was achieved in the period 1973-74 and this high growth rate did not show a substantial decline in 74-75. This extra ordinary rise could be partly explained by the oil price hike of 73-75 however, it would not undermine the growth performance of Jordanian economy at the real front.
2. As far as Government expenditure and money supply are concerned, they have increased from the growth rates of 21.2 and 6.5 to 38.2 and 28.4 respectively. This clearly indicates that an easy monetary policy was followed by Central Bank and that monetary brakes were not very hard. However, this has not resulted into very high rates of inflation which on average lowered around 10 percent except for the year 73-74 where sudden increase in cost of living index which could be attributable to higher oil prices.
3. Both the private sector deposits and commercial bank credit have increased significantly. This implies at the face of it that the Central Bank and commercial banks have been successful in tapping the idle resources of public and were also successful in channeling these mobilised savings into the areas mostly demanded by priority sectors.
4. The Balance of Payments surplus is reflected in an increase in the country's net gold and foreign exchange reserves which in 1975 rose to JD 162.3 million, arise of 47.1%.

It would not be exaggeration if one compliments the role of the Central Bank for all the momentum, high performance and dynamism that Jordanian economy demonstrated. This could be solely ascribed to the facilities and liberal policies that the Central Bank followed. Table 5.8 indicates the liberal attitude of the Central Bank of Jordan towards most of the financial institutions.

For all the three categories, data show a rising trend for the period 1970-75. Over the years, the Central Bank has extended larger financial help to specialized credit Institutions, Government etc., borne out by higher and higher gross advances, this seems to be partly due to avoid any sectoral recession and on the other hand to see that priority sectors should not suffer due to lack of resources or that a policy of general credit policy is not unduly followed which could hinder the growth of economic activity.

Before making an appraisal of measure adopted by the Central Bank and its performance, one would expect following features worth considering with respect to the monetary policy of the Central Bank of Jordan: Attending the structure and rates of interest, fixing new ceilings for credit and special deposits, attaining the legal banking ratios, fixing liquidity levels, preserving monetary stability and maintaining the par value of the Jordanian Dinar.

Table 5.8 : Gross Advances by the Central Bank of Jordan 1970-1975

(In Thousands of JDs)

Year	Advances to specialized credit Institutions.	Advances to the Government	Contributions to local financial Institutions.
1.	2.	3.	4.
1970	--	1695	--
1971	225	3130	--
1972	821	655	--
1973	2168	14410	200
1974	3964	7975	500
1975	4295	13370	1000

Source : C.B.J. yearly statistical series (1964-83) Table 6.

The Central Bank of Jordan has also the traditional instruments of monetary and credit control like Bank rate Policy, Open Market Operations, Legal Reserve Requirements....etc. The Central Bank of Jordan has performed its functions as a fiscal agent to the Government of Jordan remarkably well and has extended an adequate help in Public debt management operations; This has been primarily accomplished by Treasury Bills and Development Bonds. Since the structure of interest rates and their levels are characterized by inflexibility, the bank rate does not seem to be an effective instrument of monetary and credit control. The changes in reserve requirements, do seem to be a promising instrument of monetary and credit control. These observations are visible in the table 5.9. The table indicates that for the years 1972-75 the Bank Rate on advances to commercial banks and financial corporations had remained at 5 per cent, while that for the specialized credit Institutions remained at 4 per cent. This implies

that the Central Bank has not increased the cost of borrowing by commercial banks. The growth of legal reserve ratio for Demand deposits and savings and time deposits have been fixed at 12 per cent in 1975 after which it was fixed at 7 percent in 1970. The table also reports the figures of Central Bank's investment in government securities and treasury bills which reached the figure of JD 12400 thousand.

Table 5.9 : Reserve Requirements 1970 - 1975  
(In Thousand of JDs)

Year	Bank rate on advances to (%)		Legal Reserve Ratio (%)		C.B.J. Invs. in Govt. Securities & T.Bs.
	Commercial Banks and Financial Corps.	Specialized Credit Institution	Demand Deposits	Savings and time deposits	
1.	2.	3.	4.	5.	6.
1970	N.A.	N.A.	7	7	—
1971	N.A.	N.A.	10	10	8400
1972	5.00	4.00	10	10	8000
1973	5.00	4.00	10	10	N.A.
1974	5.00	4.00	12	12	9000
1975	5.00	4.00	12	12	12400

Source : C.B.J. Annual Reports, various issues.

From Table 5.10, we see that the cash ratio has fallen from 27% to a figure of 22% and also the credit / deposit ratio has also fallen from about 82% to 79% while ratio of investment in Government securities/total deposits increased from 6 per cent in 1970 to 15.3 percent in 1975, though it has reached a level of about 21 per cent in 1972 and 1973. The falling cash ratio indicates that the banks have been compelled to meet their investment requirements by

economising on cash balances. It seems that higher investments of 1972 must have caused a relative decline in the amount of credit extended by commercial banks. One would expect on logical grounds that to meet the growing demand of credit due to the growth of Industrial Sector, the investment (possibly short term) will be liquidated and so one would expect a negative relationship between credit ratio and investment ratio. However, there does not seem to be any perceptible discrifiable trend of this type. The credit/deposit ratio of commercial banks has triple significance. primarily, and most significantly, it is a measure of the utilization of resources by the banking system. Conversely, it is a measure of the liquidity of the baking system. Moreover, it is an indirect but important mean of monetary management by the Central Banking system. The actual or possible level of the credit/deposit ratio is one of the important factors which Central Bank of Jordan could take into account in formulating measures of credit control. Higher levels of this ratio would reflect the higher level of utilization of the resources of the banks.

Jordanian economy has already achieved a high credit/deposit ratio of around 80 percent indicating there by the absence of under utilization of commercial banks resources. It indicates the maximum use of lending opportunities and also the undertaking of new and challenging functions by the banking system in the changing economic situation. The high credit/deposit ratio could be an indication of the extensive business committments they

have made. Besides this, as can be seen from the table, the commercial banks' credit has shown a nominal growth rate of 0.35 percent in 1970 which has increased to 37 percent in 1974 and 49 percent in 1975. This upward trend in the volume of credit is indicative of the increasing level of investment in both the public and private sectors in an economy which is through the phases of planning. For the Jordanian economy, the growth of bank credit during the plan period of 1972-75, seems to have synchronised with the phases of the growth of national income, trends in investment and deficit financing.

As for the instrument of Open Market Operations of the Central Bank, the data on net sale and / or net purchase of government securities is not available for the period 1972-75 hence an appraisal of this instrument is not possible. However, an important point is worth considering. An important pre-requisite for the successful operation of open market operations is the stability of cash reserves of commercial banks. In Jordan, the data reveal that the banks maintain excess cash reserves with the Central Bank of Jordan which are over and above the statutory minimum. This would constitute a limiting factor on the instrument of Open Market Operations because even if the Central Bank resorts to this instrument, it would only serve to reduce the excess reserves of banks.

Table 5.10 : Expansion of Bank Credit and Investment and other related Data of Commercial Banks 1970 to 1975

Year	Cash Ratio	Ratio of investment in Govt. securities to total Deposits.	Investment/ Deposit Ratio	Credit/ Deposit Ratio	Growth Rate of Comm. Banks Credit
1.	2.	3.	4.	5.	6.
1970	26.9	6.0	1.6	82.6	0.35
1971	28.5	14.8	1.5	81.5	3.02
1972	27.0	22.8	1.2	71.4	7.80
1973	22.5	20.2	1.4	73.9	22.19
1974	21.9	13.3	1.2	76.2	37.42
1975	22.4	15.3	0.8	79.2	49.19

Source :

Column 2 : From column No.2 Table 5.3

Column 3 : Investment of Commercial Banks in Government. Securities is obtained from Table No.8, Yearly statistical series (1964-83) C.B.Jordan. Deposits of Commercial banks includes Government and Semi-Government, Deposits, municipalities and public Corporations Deposits and private sector Deposits (Resident).

Column 4 : Column No. 3 Table No. 5.3

Column 5 : Column No. 4 Table No. 5.3

Column 6 : Calculated from Total Commercial banks credit, Table (13) yearly statistical series (1964-83).



The fundamental objective of economic policy in Jordan, as in many other growing nations, is promotion of economic development with stability. In specific terms, this means the promotion and maintenance of a rising level of Production and real income and the attainment of reasonably full employment, together with financial stability. Financial stability, in its turn, comprises domestic price stability as well as exchange stability. In accepting the achievements of economic development with stability as the aim of monetary policy, the question arises whether inflation is necessary or helpful for development? It is commonly believed that a degree of inflation acts as a stimulus to development owing to the greater relative growth of profits and also the consequent increase in the proportion of savings or investment to national income.

An inflationary policy designed to stimulate economic development can make important contribution to growth. But this potential cannot be realised if the evils of inflation are not explicitly recognised. The evils of inflation are many and they should be recognised and scrupulously avoided if an inflationary policy is to contribute to capital formation, efficiency and growth. The inflation that contributes to economic growth has to be of the initial impulse type, as distinct from the spiral process. Inflation of the former type, generated as a deliberate policy of the growth, must be self-liquidating within a given period of time. Thus one of the most important alternatives open to growing nations is to resort

to inflation as a deliberate policy for the long time objective of rapid economic growth.

Implicit in this is the fact that the generation of inflation in the initial stage requires a big push by the government with careful planning for the optimum use of limited resources.

It seems in Jordanian economy, as indicated by Table 5.11, the policy of deficit financing has been successful at least in the period 1971-75. The Central Bank has over the years gone for monetisation of public debt as is borne out by the ratio of deficit financing to money supply which has increased from 1.31 percent in 1970 to 4.63 percent in 1975. resort to deficit financing has actually resulted in higher growth rates of nominal GNP and has not resulted into chronic inflation. Barring 1974, all the years have reported rates of growth in cost of living index around 10 percent.

TABLE NO. 5.11 Deficit Financing and other Related Economic Data 1970-1975

(In Thousands of J0s)										
Year	Deficit Financing	Money Supply (M1)	Growth rates of money supply (M1)	Money Supply (M2)	Growth of money supply (M2)	Ratio of Deficit financing to money supply (M2)	Cost of living index (1979 = 100)	Growth of cost of living index	Growth Rates of Gross National Product	Public Expenditure
1.	2.	3.	4.	5.	6.	7. (2/5)	8.	9.	10.	11.
1970	1695	105462	9.6	129129	8.6	1.31	38.89	-	-	84.19
1971	3130	107997	2.4	135111	4.6	2.31	40.73	4.73	6.63	81.54
1972	655	115024	6.5	146474	8.4	4.44	43.05	5.69	10.83	98.78
1973	14410	139248	21.0	176062	20.2	8.18	47.88	11.1	9.27	114.7
1974	7975	171964	23.5	219795	24.8	3.62	57.18	19.42	15.65	151.5
1975	13370	224604	30.6	288351	31.2	4.63	64.10	12.10	34.62	209.43

Sources : Column No. 2 : Advances to the Govt. C.B.J. yearly statistical series (1964-83) Table 6

Column No. 3 : Column NO. 4 Table 5.11

Column No. 5 : Column No. 6 Table 5.11

Column No. 7 : Column No. 2 by Column No. 5

Column No. 8 : C.B.J. Yearly Statistical Series(1964-83)

Column No. 10 : C.B.J. Yearly Statistical Series 1964-83 Table (44)

Column No. 11 : C.B.J. Annual Reports - Various Issues

From table 5.12, we can see that both money stock measures (M1 and M2) have shown high growth rates of about 20 to 25 percent over 1973-75 period; During the five years period, public expenditure has also shown an increase. On the whole, it seems that the Central Bank's liberal attitude and flexible monetary and fiscal policies has paid off in terms of growth of Jordanian economy. What is remarkable is the fact that this has been achieved at moderate rates of inflation and price stability. The role of Central Bank seems to be like a catalyst to economic growth and it is doubtless that Central Bank has exercised its promotional developmental role much more than its regulatory role.

Table 5.12 : Sources of Money Supply  
1970 - 75

(in thousands of JDs)

Year	Currency with the Public	Demand Deposit	Money Supply (M1)	Quasi money	Money Supply (M2)
1.	2.	3.	4.	5.	6.
1970	82430	23032	105462	23667	129129
1971	83008	24989	107997	27114	135111
1972	81470	33554	115024	31450	146474
1973	97481	41787	139248	36814	176062
1974	115450	56514	171964	47831	219795
1975	138953	85651	224604	63747	288351

Source : C.B.J. Yearly Statistical Series (1983) Table No.3

From the table 5.13 we can notice that during the year 1971, public borrowing increased by JD 11.56 million over the previous year, foreign assets declined by JD 5.06 million while the deposits of the government and semi-government institutions have declined by JD 3.38 million. The year 1971, witnessed the highest growth rate of the banking system since 1970, it reached to JD 181.87 million or a growth of 10.4 percent. Claims on government and semi-government institutions declined by JD 6.16 million and this could be attributed to the repaying a part of the internal public debt.<sup>5</sup> The Banking system in 1973 showed a growth rate of 17.7 percent over the previous year, money supply grown by 21 percent over 1972. The years 1974 and 1975, showed a considerable improvement with a growth rates of 16.6 percent and 40.3 percent respectively giving a clear indication of the role played by the system in activating the economic life of the Jordan and of the extent of its participation in financing economic development projects specified in the Three - Year Development Plan 1973-75 and also reflects the role of the banking system in attracting foreign capital and assets and in financing domestic development.

Table 5.13 : Monetary survey of the Banking System  
1970-75

Year	(in millions of JDs)										
	1	2	3	4	5	6	7	8	9	10	11
		Foreign Assets	Claims on Private Sector	Claims on Govt. and Semi-Govt. Institutions	Claims on Municipalities and public corporations	Assets = Liabilities	Money Supply	Quasi Money	Govt. and Semi-Govt. Deposits	Foreign Liabilities	Other Items (Net)
1970		97.37	43.61	13.24	2.83	157.03	105.46	23.67	11.21	3.69	13.00
1971		92.31	44.92	24.28	3.35	164.76	108.00	27.11	7.83	2.67	19.15
1972		100.25	47.93	29.37	4.42	181.97	115.03	31.45	8.62	2.61	24.26
1973		106.98	59.31	42.09	5.84	214.22	139.25	36.81	12.8	2.99	22.37
1974		118.21	80.28	42.37	9.01	249.87	170.22	46.53	12.58	4.83	15.71
1975		174.73	115.62	48.69	11.48	350.52	218.51	59.24	26.15	10.86	35.76

Source : C.B.J. Annual Reports - Various issues.

The Central Bank Of Jordan -Policies and  
Performance During The First Five - Year  
Development Plan. 1976-1980

The year 1975, witnessed the beginning of a new phase of economic planning in Jordan with the drawing up of a Five-Year Development plan to be carried out during the period 1976-1980. It has to continue the march of development in the Kingdom based on comprehensive planning and on the achievements of the previous Three year Development Plan, which was successfully implemented as shown by the economic stability and the dissemination of the development spirit.

The Jordanian economy registered and realized high growth rates in its various sectors within the framework drawn up by the plan under review. The economic growth realized in 1976, as shown by the Table 5.14, was much higher than of 1975. The Gross National Product increased by 42.3 percent. This attributed to the high growth rates achieved by all economic sectors, alongwith the high growth of remittances from Jadanians working abroad. Income generated from construction activities increased by 55.6 percent, contribution of agricultural income has increased slightly by 4.6 percent, but its still below the over all average. This is due to unfavourable weather conditions prevailed in that year in addition to the fact that several agricultural projects were still incomplete. The industrial production of principle industries revealed a gain of 25 percent.

Table 5.14 : Growth of Main Monetary Indicators, First  
Five Year Developmental Plan 1976 - 1980

No.	Item	% Change 1975-76	% Change 1976-77	% Change 1977-78	% Change 1978-79	% Change 1979-80
1	Gross National Product at market prices	42.3	12.8	14.4	19.5	22
2	Industrial and Mining Income	25	14.8	18.7	31	39.9
3	Industrial Production Index 1975 - 100	25	3.7	22.7	18.1	23.4
4	Agricultural Income	4.6	10.5	22.3	(5.9)	34.2
5	Const. Activity	55.6	6.5	5.9	43.7	12.4
6	Govt., Expenditure	28.1	28.7	6.9	49	9.2
7	Money Supply (M2)	31.2	23.6	29.7	27.4	27.4
8	Cost of living Index (1975 - 100)	11.5	14.3	7.1	14.2	11.1
9	Private Sector deposits	43.5	28.9	33.3	25.5	24.6
10	Commercial Banks Credit	51.3	9.5	35.8	41.2	20.1
11	Gold and Foreign Exchange Reserves	14.4	23.4	24.9	29.5	12.7

Source : 1. C.B.J. Annual Reports - Various Issues  
2. C.B.J. Monthly Statistical Bulletin, Various Issues.



The preceeding Table shows information about the growth of other years clearly, leading us to conclude the follwoing points which are of much importance :

- 1) The highest growth rate of Gross National Product was achieved in the period 1975 - 1976, which is the First year of the First Five Year Development Plan, and declined in the subsequent years reaching a level of 22 percent. Indicating that the economy of Jordan has freed itself from the exceptional and abnormal circumstances that prevailed throughout the period 1975-76 in addition to the continued efforts to control inflation and to the unusual rates of growth which prevailed during the same period.
- 2) Goverment expenditure have shown a decline from 28.1 percent in the period 1975-1976 down to 9.2 percent in 1979-1980, with exception of the period 1978-1979 which has shown a growth of 49 percent.
- 3) Money Supply increased from the growth rate of 20.6 percent to 26.8 percent. This indicates the flexible monetary policy which the Central Bank has adpoted through out the plan period, and which did not cause a very high rate of inflation, indicated by the reduction in the cost of living index to reach at the end of the period 11.1 percent down from 11.5 in the period 1975-1976.
- 4) Private Sector deposits(resident) and commercial banks credit have shown a remarkable decline during the period of 1975-76 to 1979-80. As far as the Private

Sector deposits are concerned. They have declined from 43.5 percent to 24.6 percent, as a result, the Central Bank has decided in 1978 to decrease the upper limit of interest rates paid on demand deposits to 2 percent and increasing the minimum interest on saving deposits to 5.5, in an attempt to encourage the saving habit among the people in order to provide sufficient finance for the development process and to reduce ready liquidity in the economy and fight inflationary pressures. This has been reflected positively in the high growth of commercial banks credit to reach 35.8 percent in the period 1977 - 1978. By 1979, the credit of commercial banks reached to a high growth level of 41.2 percent, which has compelled the Central Bank to pursue a policy geared to control credit by using the weapon of interest rate to vary the cost of credit and to effect a change in the volume and structure of deposits. Therefore, the interest rate was raised to 8 percent on credit facilities extended to residents and increasing the ceiling or credit/deposit ratio up to 70 percent and increasing cash ratio to 16 percent. These measures have brought the credit of commercial banks down to a level of 20.1 percent.

- 5) The balance of payments surplus is reflected in an growing growth rate of the Jordan's gold and foreign exchange reserves and the special drawing rights which have grown by 29.5 percent in the period 1978-1979. The factors behind the surplus in the balance of payment

are : improvement in income from tourism, increased remittances from Jordanians working abroad and aid from Arab Countries.

This lead us to confirm that the Central Bank of Jordan continued to shoulder the responsibilities of maintaining the monetary stability through its flexible and open minded policies which have been followed.

Table 5.15 brings out clearly the flexible and liberal attitude of the Bank, as the head of the financial system in Jordan, in granting advances to the financial institutions and to the government. This rising trend shows that Bank has tried to allocate adequate resources to priority sector and to insure that the development of one sector is not carried out at the cost of the others. In its attempts to combat the inflationary pressures, the Bank has adopted certain measures of which, and the most important one, was the reduction of high liquidity of the domestic economy by way of limiting credit facilities offered by commercial banks for speculative and commercial purposes. In order to achieve this goal, the Central Bank has imposed credit ceiling, raising the cash reserve ratio, increasing the minimum legal liquidity, setting an upper limit for the credit/deposit ratio.

Table 5.15 : Gross Advances by the Central Bank of Jordan,  
First Five Year Development Plan 1976 - 1980  
(In Thousands of JDs)

Year	Advances to Specialized credit institutions.	Advances to the Government	Contribution to the local financial Institutions.
1.	2.	3.	4.
1976	9152	20310	1250
1977	13643	28840	1250
1978	17990	37180	1250
1979	16428	25360	1600
1980	21424	50820	1775

Source : C.B.J. Yearly Statistical Series Table (6)  
C.B.J. Monthly Statistical Bulletin Dec. 1987 PP.  
14-15

From the Table 5.16 we can conclude that the bank rate on advances does not have any effect on guiding the monetary policy. The structure of the Reserve requirements is of much importance as an instrument of monetary and credit controller.

For the entire plan period 1976-80, the bank rate on advances to commercial banks and financial corporations has witnessed slight change from 76 to 77 and from 1979 to 1980, and remained stable throughout three years from 1977 to 1979 at 6 percent. Bank rate on advances to specialised credit Institutions declined from 4 percent to 3.50 percent and remained constant for the rest of the period under review. This implies that the Central Bank has adopted a loose monetary policy to enhance people to borrow and to encourage the commercial banks to grant easy credit to the public for developmental purposes. This is reflected by the step taken by the Central Bank in 1977 to suspend the policy

of limiting credit and gave the licensed banks complete freedom to grant credit facilities in light of the financial status of each bank. The growth of the legal reserve requirements has reached a level of 54.4 percent in 1976 and it has dropped slowly to a low level of 24.8 percent, 20.7 percent, 24.7 percent and 16.3 percent during the years 1977, 78, 79, and 1980 respectively.

The Bank took measures in 1979, deemed necessary for maintaining monetary stability and fighting inflation such as rising of the legal reserve ratio for demand deposits from 15 percent to 16 percent and from 12 percent to 13 percent for savings and time deposits, and by the end of 1980, the legal reserve ratio on demand deposit was lowered to 14 percent and on savings and time deposits lowered to 11 percent. It is clear that through this measure, the Central Bank has helped to increase the liquidity of the banks and as a result decreased their cost of capital, and accordingly, the banks were at ease to meet the growing demand for credit and continue to charge reasonable rates. The table also reports the figures of the Central Bank's investments in government securities and treasury bills which have witnessed a slight increase during the plan period.

Table 5.16 : Reserve Requirements

(In thousands of JDs)

Year	Bank rate on advance		Legal Reserve Ratio		C. B.J. invests. in Govt. Securiti- es & T.Bills.
	Comm. Banks and Financial corporati ons.	Speciali- zed credit instituti- ons.	Demand Deposits	Saving and time Deposits.	
1.	2.	3.	4.	5.	6.
1976	5.00	4.00	15	12	15000
1977	6.00	3.50	-	-	15000
1978	6.00	3.50	15	12	21000
1979	6.00	3.50	16	13	20000
1980	7.00	3.50	14	11	18000

Source :

Columns 2 and 3 : C.B.J. yearly statistical Series  
(1964-83) Table 15.

Columns 4 and 5 : C.B.J.; Annual Reports - various issues.

Column 6 : C.B.J. Annual Reports - various issues.

From the table 5.17 we can notice that the cash ratio has fallen from 23.6 percent in 1976 to a level of 17.2 percent in 1980 and also the credit/deposit ratio has also fallen from 90.1 percent in 1976 to 83.5 percent in 1980. On the other hand the ratio of investment in government securities to total deposits has increased from 10 percent in 1976 to 17.1 percent in 1978. In the year 1979, it has fallen to 14 percent and to 8.8 percent in 1980. The falling cash ratio indicates that the banks have been directed by the Monetary Authorities to meet the requirements of the investment in the development projects of the priority sector. It is of much importance to note that the higher investments of 1978 (17.1 percent) must have caused a substantial decline in the volume of credit which the commercial banks extended to public, which is indicated

by the falling of the credit/deposit ratio simultaneously for the same period. From the preceding analysis, we can conclude that there is a negative relationship between investment ratio and credit/deposit ratio, the higher the credit ratio, the lower the investment ratio and vice versa. The bank credit was moving upward due to the increase in investment opportunities. From the table, we see that the investment ratio has been gradually rising. The cash ratio has been falling while the credit/deposit ratio has registered a gradual rise from 1977 to 1979.

It indicates a healthy development of the growth of the industrial sector calling for increasing bank credit, and in this regard, the Central Bank adopted a policy of encouraging commercial banks to expand credit facilities on one hand and to encourage the saving habits among the public in order to provide the banks with sufficient resources to finance the development process and to reduce ready liquidity in the economy in an attempt to encounter the inflationary pressures on the other. As a result of the above, the reflationary policy of 1978, stimulated credit facilities as commercial banks followed a more liberal policy in extending credit which grew at a rate of 36.36 percent. But due to the decline of the investment ratio to a level of 14 percent, the credit/deposit ratio increased to 88.4 percent leading to the increase in commercial banks credit to a level of 39.74 percent. To meet this situation, the Central Bank directed commercial banks to attract more time deposits through Certificates of Deposits (CDs), and to

achieve this, the former lowered the legal reserve ratio on these certificates to 8 percent with minimum duration of six months providing they are not redeemed before maturity.

The Central Bank takes into account the importance of the level of credit/deposit ratio while forming the policy of credit control. The gradual decline of this ratio over the life period of the plan indicates the gradual decline in utilizing the resources by the banks. We can also see from the table that there is a sharp decline in the growth rate of commercial banks credit, while the ratio was 63.39 percent in 1976, it has fallen to 21.24 percent in 1980. The lowest growth rate was registered during 1977, the reason for the drop lies in the rationalization of economic activity and the policy of tightening credit followed by commercial banks. In 1978, the growth rate of the credit went up to 36.36 percent and this may be due to increase in demand resulted from the fact that the commercial banks have

Table 5.17 : Expansion of Bank Credit and Investment and Other Related Data of Commercial Banks in Jordan 1976-1980.

Year	Cash ratio	Ratio of Investment in Govt. Securities to Total Deposits	Investment Deposit Ratio	Credit Deposit Ratio	Growth of Commercial Bank's Credit
1.	2.	3.	4.	5.	6.
1976	23.6	10.0	0.7	90.1	63.39
1977	22.8	11.1	1.2	82.5	17.84
1978	20.3	17.1	1.2	82.9	36.36
1979	19.3	14.0	1.3	88.4	39.74
1980	17.2	8.8	1.4	83.5	21.24

Source : Table 5.3.



been very liquid, and this prevailed also during 1979. The year 1980 shows a decline in the growth rate of credit facilities which has reached 21.24 percent as it is clearly visible from the decline in the credit/deposit ratio.

From the preceeding Table, we want to examine the impact of the lending rates on the borrowings from the Central Bank of Jordan and credit expansion by looking at the Table 5.18. The table shows that the ratio of borrowings by the Commercial banks form the Central Bank to expansion of bank credit is a measurement of the Central Bank's direct contribution to credit expansion. It also indicates the attitude of the Central Bank of Jordan's authorities towards credit expansion. A change in the ratio also reflects shifts in the credit expansion policy of commercial banks in Jordan. The Table 5.18 shows that the maximum borrowings from the Central Bank were JD 273 thousand in 1976. The corresponding ratio of borrowings to bank credit was at 0.13 percent that year, and kept on increasing upto 1978, where it has reached to 2.6 percent. This indicates that the commercial banks were fully depending upon the Central Bank to finance their credit needs, and the expansion of bank credit during the first three years of the plan under review was not limited by the amount of deposits held by the banking system but was dependent on the ability of the commercial banks to borrow from the Central Bank. It proves that the banks have not made a substantial efforts to raise funds from other sources such as deposits. But in the last two years of the plan, banks

shifted their dependence on the Central Bank to finance their credit requirements to their own resources, and this is clearly visible from the reduction in the cash ratio from 23.6 percent in 1976 to 17.2 percent in 1980 (Table 5.17).

Table 5.18 : Ratio of Borrowing from the Central Bank of Jordan to Bank Credit First Five-Year Development Plan 1976-1980.

Year	Aggregate Deposits	Borrowings from the C.B.J.	Bank Credit	Ratio of borrowings to bank Credit $5 = 3/4 \times 100$
1.	2.	3.	4.	5.
1976	229660	273	207091	0.13
1977	295895	6599	244055	2.7
1978	401034	8660	332799	2.6
1979	526046	7180	465059	1.5
1980	675225	10000	563856	1.7

Source :

Columns 2,3 and 4, C.B.J. Yearly Statistical Series (1964-1983) Table 9

Column 5 = Col. 3 / Col. 4 \* 100

The economic development with stability, as the major goal of the monetary policy in Jordan, has continued during the First Five Year Development plan (1976-1980). It is clearly indicated by the Table 5.19 that the Central Bank of Jordan was called upon to assist the government in the successful implementation of the plan through its deficit financing which has been increasing through out the plan period. BY linking the deficit financing with money supply, it is clear that the Central Bank has played a significant role in extending finance to over come the deficit. The ratio of deficit financing to money supply has gone up from

5.36 percent in 1976 to 6.13 percent in 1980. It is noted that the huge amount of deficit finance will push up indices of the cost of living as well as prices of goods and other articles. The cost of living index has gone up from 71.45 percent in 1976 to 111.10 percent in 1980.

The decline in the growth rate of money supply in its broad definition (M2) from 31.2 percent in 1976 to 23.6 percent in 1977, was due to an obvious slow down in the growth of money supply in its narrow definition (M1) from a rate of 23.3 percent in 1976 to 13.4 percent in 1978. The reason for this is the efficiency of the monetary policy adopted by the Bank during 1977, 1978 in order to rectify the deposit structure and to rationalize the credit facilities granted by commercial banks.

The fallen growth rate of money supply in 1978 was due to continuous inflationary effect of the increase in credit facilities and foreign reserves on money supply. The Central Bank's policy has a remarkable effect on stemming the rate of inflation. The continued slow down in the growth rate of money supply (M1) during the years 1976 and 1977, brought these rates close to the growth rates of Gross National Product and a clear influence on slowing the growth rate of the cost of living index from 11.5 percent in 1977 to 7.07 percent in 1978. The liquidity of the banking system (M2) reached JD 773100 thousand at the end of 1979, an increase of 27.4 percent compared with a corresponding increase of 29.7 percent in 1979 (M1) reached to JD 472652 thousand in 1979 or 26 percent growth compared with 13.4%

Table 5.19.: Deficit Financing and other Related Economic Data  
First Five Year Plan 1976 - 1980.  
(Amount In Thousands of JDs)

Year	Deficit Financint	Money Supply (M1)	Growth Rate of Money Supply (M1)	Money Supply (M2)	Growth Rate of Money Supply (M2)	Ratio of Deficite Financing to money supply (M2) $7 = 2/5 \times 100$	Cost of Living Index (1979=100)	Growth of Cost of Living Index	Growth Rates of Gross National Product
1.	2.	3.	4.	5.	6.	7	8.	9.	10
1976	20310	276869	23.3	378312	31.2	5.36	71.45	11.46	49.57
1977	28840	330987	19.5	467643	23.6	6.16	81.84	11.54	17.35
1978	37180	375370	13.4	606692	29.7	6.13	87.63	7.07	18.33
1979	25400	472652	26.0	773100	27.4	3.28	100.00	14.12	17.96
1980	50818	594771	25.8	984767	27.4	5.16	111.10	11.10	28.65

Source : C.B.J. Yearly Statistical Series (1983) Various Tables

in 1978. The slowdown in the rate of growth of liquidity continued in 1980 and was reflected in both (M1) and (M2). Money supply (M1) grew at a rate of 25.8 percent and (M2) at a rate of 27.4 percent.

This slowdown in the rate of growth of domestic liquidity indicates that the monetary policy has attempted to simultaneously maintain monetary stability and combat inflation without ever stifling the economic development process.

The banking system (Central Bank and Commercial Banks) as shown by Table 5.20 has experienced a moderate expansion during the year 1977 with its assets (= Liabilities) reaching to JD 572.54 Million or a growth of 24.6 percent over 1976. Still it has fallen short of 1976 growth rate which was 31.1 percent. The growth of foreign assets which reached 31.6 percent has contributed most of the increase in the assets of the banking system. Next comes the increase in claims on government and semi government institutions, which grew at a growth rate of 37.8 percent over 1976 in the form of treasury bills, bonds and loans. A remarkable growth was achieved during 1978 compared with the preceding year. The assets/liabilities grew at a growth rate of 45.3 percent and foreign assets contributed 43.4 percent of the total increase, next comes the credit extended to the private sector, claims on government and semi-government institutions increased at a rate of 38.9 percent.

The activities of the banking system grew at a satisfactory rate at the end of 1979 with total assets

Table 5.20 : Monetary survey of the Banking System  
First Five Year Plan 1976 - 1980.

(In millions of JDs)

Year	Foreign Assets	Claims on Private Sector	Claims on Govt. and Semi-Govt. Institutions	Claims on Municipalities & Public corporation	Assets = Liabilities	Money Supply	Quasi Money	Govt. and Semi-Govt. Deposits	Foreign Liabilities	Other Items (net)
1	2	3	4	5	6	7	8	9	10	11
1976	204.95	177.24	60.13	17.25	459.57	263.58	95.34	24.23	24.07	52.35
1977	271.86	197.26	82.36	20.56	572.54	314.8	124.2	41.23	19.74	72.57
1978	360.89	313.76	115.09	42.01	831.75	370.52	226.85	55.7	60.41	57.53
1979	450.9	445	120.44	44.18	1060.51	465.58	298.32	77.35	87.05	58.3
1980	622.65	541.64	169.92	53.28	1387.49	580.7	387.98	114.71	148.74	72.6

Source : From 1976 to 1977 C.B.J. Annual Report 1977 P.31.  
From 1978 to 1980 C.B.J. Annual Report 1980 P.20.

Table 5.21 : Growth of Main Monetary Indicators Second  
Five Year Development Plan 1981-1985

No.	Item	% Change 1980-81	% Change 1981-82	% Change 1982-83	% Change 1983-84	% Change 1984-85
1	2	3	4	5	6	7
1.	Gross National Product at Market Prices.	22.2	12.3	5.8	4.7	1.5
2.	Industrial and Mining Income	20.2	3.9	11.5	-	-
3.	Industrial Production Index(1975=100)	12.5	2.7	4.9	20.0	2.2
4.	Agricultural Income	7.4	11.2	18.3	12.9	17.0
5.	Construction Activity	26.8	26.3	(-3.6)	(-2.2)	(-25.0)
6.	Total Govt. Expenditure	14.9	7.2	1.6	2.2	11.8
7.	Money Supply(M2)	19.8	18.9	15.1	8.8	6.7
8.	Cost of Living Index 1975 = 100	11.1	7.4	5.0	3.8	3.0
9.	Private Sector Deposits	21.7	25.1	17.2	12.9	8.9
10.	Commercial Banks Credit	27.9	23.0	16.2	14.9	7.5
11.	Gold and Foreign exchange reserves.	3.9	(-14.0)	9.5	(-5.0)	(-2.0)

Source : Central Bank Of Jordan - Annual reports - various issues.  
Central Bank Of Jordan - Monthly Statistical Bulletin  
August 1988 P.P.14,15.

Note : Item No.6 : Total Govt. Expenditure includes Govt. Current expenditure plus Govt. Capital expenditure.  
C.B.J. Annual Report - 1985 P. 95.

Item No. 10 : Includes Commercial Banks credit plus the Housing Bank

Item No. 11 : Includes Central Bank Of Jordan only.

Item No. 6 : C.B.J. Annual Report - 1985 P. 95.

(= Liabilities) of the system grew at 27.5 percent reach 1060.5 million. the biggest single item was foreign assets which constituted 42.5 percent of total assets followed by claims on the private sector of 42 percent.

The system's total assets increased by 30.8 percent in 1980 as a result of the development momentum in general and the expansion within the system in particular. As in the previous year, the foreign assets contributed the largest share in the growth of the assets of the system. This was facilitated by the liberalization of foreign exchange flow in and out of the country. Credit to private sector and public corporations increased by 21.7 percentage as compared with an increase of 37.5 percent at the end of the previous year. The relative share of domestic credit declined from 46.1 percent in 1979 to 42.9 percent in 1980. This may be attributed to the tendency on the part of commercial banks to invest abroad.

Credit provided to the government increased by 41.1 percent as compared with just 4.6 percent in 1979. Paradoxically, this expansion in government credit took place at the same time when the budget deficit was almost half its level of 1979 of JD 79.85 million.

Looking at the liabilities side, the increase was reflected primarily in the money supply which showed an increase of JD 51.21 million in 1977 on a growth of 19.4 percent over 1976, and kept on increasing to a growth of 24.7 percent in 1980. Ratio of Quasi money to money supply increased from 39.4 percent in 1977 to 66.8 percent in 1980.



This meant that the ratio of quasimoney to money supply witnessed a gradual rise which confirms with the First Five Year Development Plan's aim of increasing this ratio.

Government and Semi-Government deposits increased in absolute terms from JD 24.23 Million to JD 114.71 million, but the growth of these deposits have declined from a level of 70.2 percent in 1977 down to 48.3 percent in 1980. It is of much importance to mention here that the foreign liabilities of the sytem increased from a negative growth of (-18 percent) in 1977 to 70.8 percent in 1980.

**The Central Bank of Jordan - Policies and  
performance during the Second Five - Year  
Development Plan - 1981 - 1985.**

In continuation of the development momentum which Jordan has witnessed during the years of the first Five-Year Development Plan, the Second Five - Year Development Plan (1981-1985) was initiated and based on the principles of liberal economic system, an appreciation of the private sector initiative and maintenance of a favourable investment climate.

The Table 5.21 shows that the Jordanian economy achieved a reasonably high growth rates in different economic sectors, in accordance with the aims set up by the Second Five Year Plan. The Gross National Product increased by 22.2 percent in 1981 over 1980. This reflects the development that took place in various sectors. Industry and mining income registered an increase of 20 percent, income generated from Agriculture and Construction have recorded a rise of 7.4 percent and 26.8. percent respectively. From constructions activities, income increased by 26.8 percent. The industrial production of principle industries achieved an increase of 12.5 percent. From the same table we can summarise the following important concluding points which deem necessary to mention them :-

1. During the years of the Plan under review, the G.N.P. recorded its highest growth in 1981 of about 27.2 percent and kept on declining upto a level of 1.5

percent. This indicates that the economy of Jordan have not year recovered fully from the previous circumstances which were responsible for the abnormal high growth rates which have prevailed during the First Five Year Development plan on one hand, and the measures to combat inflation were not effective on the other.

2. Government expenditure have declined from 14.9 percent in 1980-1981 to 11.8 percent in 1984-1985. This is due to the fluctuations in capital and current expenditures of the government.
3. Money Supply decreased from a growth of 19.8 percent in 1980-1981 down to 6.7 percent in 1984-1985. This resulted from the slow down in economic growth rates and the concomitant drop of the growth rates of the demand of money and has thus become a preferable alternative of checking inflationary pressures. It should be noted that the steep slowdown occurred despite the expansionary measures adopted by the Central Bank of Jordan during the last three years of the plan under review, to augment the liquidity of the banking system institutions and increase the capital of the banks to enable them extend more credit.
4. As a result of the deliberate deceleration in the growth of domestic liquidity to keep it below its previous levels, the growth of credit extended by commercial banks suffered a set back by reduction in its growth from 27.9 percent in 1980-1981 down to a level of 7.5 percent in 1984-1985. Plausibly, that was attributed to

a tighter credit policy on the part of commercial banks on one hand and sluggish demand for loans on the other due to lower rates of returns on direct investment under economic recession.

5. There was a noticeable decline in the growth of deposits by the private sector. They have declined from a rate of 21.7 percent in 1980-1981 to 8.9 percent in 1984-1985. As a result of this decline, the Bank raised the ceiling of interest rate on saving deposits with commercial banks to 6.5 percent and on those with finance companies to 7 percent and the ceiling of interest rate on time deposit was raised to 8.5 percent regardless of the term of deposit and that of the certificates of deposits was raised to 8.75 percent.
6. The continued drain in the foreign exchange receipts of the Kingdom on the one hand and the continued low level of economic performance on the other, have resulted from the drop in Arab assistance and foreign development loans. This is visible in growth rates of gold and foreign exchange which have declined from a rate of 3.9 percent down to a negative rate of 2.0 percent.

The Central Bank continued to direct its monetary policy in line with the encountered monetary conditions on one hand and to serve the general objectives of economic development on the other. Table 5.22 clearly brings out the role played by the Central Bank in gearing the economic development in the country and the liberal policy which the Bank has adopted in extending advances to the financial institutions and to the Government.

In order to accelerate the development process, the Bank expanded its credit facilities to the government (Table 5.22). These advances have increased from JD 65000 Thousand in 1981 to JD 129244 thousand in 1986. Advances to specialized credit Institutions have also increased remarkably from JD 33191 thousand in 1981 to JD 101552 thousand in 1985. It is obviously clear that the Central Bank has tried successfully to ensure the adequate allocation of financial resources to different economic sectors, and it is clearly .....

Table 5.22 : Gross Advances by the Central Bank of Jordan  
Second Five - Year Development Plan 1981-1985.  
(In Thousands of JDs)

Year	Advance to Specialized credit Institutions.	Advances to the Government	Contribution to the Local financial Institutions.
1.	2.	3.	4.
1981	33191	65000	2275
1982	58312	84500	2275
1983	91603	106422	2275
1984	88483	121519	1750
1985	101552	129244	1750

Source : C.B.J. Yearly Statistical series (1964-1983) Table 6  
C.B.J. Monthly Statistical Bulletin, Dec 87, PP.14-15

It is clearly visible that the bank rate on advances to Commercial banks and specialized credit institution did not play any important role in the formation of the monetary policy during the plan period as indicated by the Table 5.23.

In order to augement the liquidity of the commercial banks and enable them to provide adequate credit, the legal reserves ratio was reduced by 1 percent down to 10 percent in 1983 on demand deposits and 7 percent on savings and time deposits during the same year. Further, in 1984, and in attempt to increase the liquidity of commercial banks, the legal reserve ratio on Dinar deposits was reduced to 6 percent on time and savings deposits and to 9 percent on demand deposits and inter bank deposits irrespective of maturity. The Central Bank investment in Government Secutities witnessed a gradual decline since 1983 onwards from a level of JD 26000 thousand down to JD 19500 thousand. This indicates the desire of the Bank of transfer some of its funds in the forms of advances to commercial banks and specialised credit institutions to enable them to expand their credit to meet the needs of growing credit requirements. This is indicated by the reduction in the bank rate on advances to commercial banks from 7 percent in 1982 to 6.80 percent in the following three years.

Table 5.23 : Reserve Requirements 1981 - 1985

Year	Bank Rate on Advances		Legal Reserve Ratio		C.B.J.
	Commercial Banks and Financial Corporations	Specialised credit Institutions	Demand Deposits	Saving and Time Deposits	Invest. in Govt. Securities & T.Bills (in 000 of JDs)
1.	2.	3.	4.	5.	6.
1981	7.00	3.50	11	8	17500
1982	7.00	3.50	11	8	26000
1983	6.80	3.50	10	7	20000
1984	6.80	3.50	9	6	19500
1985	6.80	3.50	-	-	-

Source : C.B.J. Annual Report - Various Issues

In Table 5.24, we see that the volume of investments showed a progressive rise, the investment ratio has witnessed a gradual rise during the plan period. The cash ratio has been falling while the credit/deposit ratio has registered an over all rising throughout the plan period. The ratio of investment in government securities to total deposits have increased and this indicates that these securities became attractive as earning assets since they have high yields. The falling of the cash ratio indicates the policy of the Central Bank in directing the Banks to meet the needs of investment in the development projects.

It is worth noting that the investment ratio of 15.7 percent in 1984 has caused a remarkable decline in the growth rate of commercial banks' credit and as indicated by the falling cash ratio from 11.3 percent in 1983 to 10.2 percent in 1984. The rising trend in the credit deposit ratio, from 86.5 percent in 1981 to 89.3 percent in 1984

reflects that the increase in the volume of deposits could not keep pace with the high level of demand for credit. This trend is an indicator of the increasing level of investments in the economy (public as well as Private Sectors)

Table 5.24 : Expansion of Bank Credit and Investment and Other Related Data of Commercial banks in Jordan Second Five Year Development Plan 1981-85

Year	Cash ratio	Ratio of Investments in Govt. securities to total Deposits	Investment/ Deposit Ratio	Credit/ Deposit Ratio	Growth rate of Commercial Banks' Credit.
1.	2.	3.	4.	5.	6.
1981	13.8	9.6	1.6	86.5	27.92
1982	11.8	10.3	2.0	88.9	22.99
1983	11.3	12.4	2.3	87.3	16.20
1984	10.2	15.7	2.5	89.3	14.92
1985	11.1	15.7	2.4	87.7	7.56

Source : Table 5.3

C.B.J. Yearly and Monthly Reports Various Issues

Table 5.25 throw a light on the relation between the borrowings from the C.B.J., and the bank credit. the rising ratio of borrowings to bank credit is an indicator of the role played by the Central Bank of Jordan in the expansion of bank credit. This ratio have almost increased by three folds from 1981 to 1985. While the deposits have grown up gradually, we see that there was a huge increases in the borrowings from the Central Bank indicating that the Commercial Banks were resting on the Central Bank for meeting their credit needs. The ability of the banks to borrow from the Central Bank has almost increased by Three folds in 1982 to reach a level of JD 39067 thousand from the



previous level of JD 14678 thousand in the previous year and kept on increasing very steady to reach a level of JD 87748 thousand in the final year of the plan under review. The Table also tells us that the banks have not shifted, or tried to shift, their dependence on the Central Bank for getting funds by raising these funds through other sources such as deposits and shifting the function of the Central Bank from the bank of the last resort to a bank of the first resort.

Table 5.25 : Ratio of Borrowings from the Central Bank of Jordan to Bank Credit Second Five Year Development Plan (1981-1985)  
(In Thousands of JDs)

Year	Aggregate Deposits	Borrowings from the CBJ	Bank Credit	Ratio of Borrowings to Bank Credit $5 = \frac{3}{4} \times 100$
1.	2.	3.	4.	5.
1981	834093	14678	721317	2.03
1982	997900	39067	887172	4.4
1983	1181127	60260	1030929	5.8
1984	1326218	78123	1184825	6.6
1985	1452901	87748	1274416	6.8

Source : C.B.J. Monthly and Yearly Reports-Variou Issues

Table 5.26, clearly brings out that the Central Bank has financed the deficit during the plan period (1981-1985). If one wishes to establish a relation between deficit financing and money supply, he can make out that the growth of money supply is an indicator of the role of the Central Bank in extending finance to overcome the deficit.

As a result of the monetary policy measures taken in 1981, which aimed at combating inflation, insure monetary

stability, mobilizing savings and directing credit facilities towards productive uses, the year under review witnessed a slow down in the rate of expansion of domestic liquidity (M2) from 27.4 percent in the final year of the previous plan to 19.8 percent in the first year of the Second plan. Although the increase was in money supply (M1) rather than quasi money, yet the relative increment was less than that of 1980. Money supply (M1) decreased from 25.8 percent in 1980 to about 18 percent in 1981. The main factor influenced money supply in 1982 was the considerable expansion in credit which was channelled to the private sector, public corporations and the government.

The expansion of domestic liquidity (M2) went down from a rate of 19.8 percent in 1981 to 18.9 percent in 1982 with a corresponding decline in money supply (M1) from 17.9 percent in 1981 to 12.2 in 1982. This drop in both definitions of money supply may indicate a shift in the public preference away from the banking system towards cash.

The Central Bank raised the interest rate ceiling on demand deposits from 2 percent to 4 percent to increase the demand deposits. The main factor which has influenced money supply in 1982 was the considerable expansion in credit facilities.

In the light of the drop in Jordan's foreign exchange reserves, the monetary policy of 1983 was geared towards keeping the rate of liquidity expansion below its past level and directing this expansion mainly to the

Table 5.26 : Deficit Financing and other Related Economic Data  
Second Five Year Development Plan 1981-85.  
(Amount In Thousands of JDs)

Year	Deficit Financing	Money Supply (M1)	Growth Rate of Money Supply (M1)	Money Supply (M2)	Growth Rate of Money Supply (M2)	Ratio of Deficite Financing to money supply (M2) $7 = 2/5 \times 100$	Cost of Living Index (1979=100)	Growth of Cost of Living Index	Growth Rates of Gross National Product
1.	2.	3.	4.	5.	6.	7	8.	9.	10
1981	65000	701656	17.9	1179880	19.8	5.5	119.65	7.7	26.63
1982	84500	787503	12.2	1403347	18.9	6.0	128.54	7.4	12.95
1983	100000	869417	10.4	1615157	15.0	6.2	134.97	5.0	9.01
1984	121519	878391	1.0	1757660	8.8	6.9	140.22	3.8	0.33
1985	129244	848222	(3.5)	1874843	6.6	6.9	144.44	3.0	(0.29)

Source : C.B.J. Annual Reports - Various Issues

financing of domestic investment in order to enhance economic growth and maintaining monetary stability. The growth rate of domestic liquidity (M2) dropped from 15.1 percent in 1983 to 8.8 percent in 1984. The slowdown was pronounced most in the case of money supply (M1) whose growth rate declined from 10.4 percent in 1983 to 1 percent in 1984. The slowdown in the growth of domestic liquidity in 1984 could be attributed to the sharp fall in the foreign exchange reserves of Jordan as a result of the drop in Arab aid. The low level of economic growth has obviously affected demand deposits which grew at a slower pace as business tempo slackened. The interest rates on saving deposits were higher than the return on real investments, this led savers to save rather than going for demand deposits. This trend was incorporated by the decision of the Central Bank to raise the ceiling of interest paid on time deposits to 8.5 percent to create a shift from demand deposits to saving deposits. The growth rate of domestic liquidity fell from 8.8 percent in 1984 to 6.6 percent in 1985. Money Supply (M1) also experienced a negative growth of (-3.5) percent in 1985. This slowdown occurred despite the expansionary measures adopted by the Bank during the last three years to augment liquidity of the banking system institutions and increase the capital of the banks to enable them extend more medium and long term loans, and to stimulate domestic investment which would tie the Jordanian economy over the recessionary conditions prevailed since 1983.

While the cost of living index has increased over the years of the plan under review, the growth rate of the cost of living index has kept on declining reaching its ever lowest level of 3 percent in 1985 down from 7.7 percent in 1981. There is a positive or direct relation ship between the growth rates of money supply and cost of living index since the increase in deficit financing will lead to a rise in the cost of living and consequently rising the prices of Food and others.

The activities of the banking system registered a slowdown in 1981 compared with 1980 (Table 5.27). Its total assets (= liabilities) increased by JD 258.1 million or a growth of 18.6 percent over 1980. This slow can be explained by the modest increase in foriegn assets though other assets increased substantially, credit to Private Sector increase by JD 149.5 million, a growth of 27.6 percent. Credit to public corporations increased by 24.9 million. This has led to a sharp increase in total local credit. Foreign assets declined by 4.4 percent in 1981. This reflects the decrease in the rate of growth of foreign assets from 38.1 percent in 1980 to 7.1 percent in 1981, particularly those of the Central Bank and commercial banks.

The Year 1982 witnessed a slowdown in the growth of banking assets, from 18.6 percent in 1981 down to 13.6 percent in 1982. This is explained by the decline in foreign assets. Credit to private sector and public corporations increased by JD 196.48 million or 25.5 percent. The decline in the foreign assets is attributed to the decline in the

foreign assets of the Central Bank as a result of the drop in the official foreign transfers, namely assistance from Arab countries. Foreign Assets grew at a rate of 8.9 percent in 1983 while credit to private sector registered a growth of 17.8 percent to reach JD 993.28 million Credit to public corporation increased by JD 34.23 million or 27.8 percent. The year 1984 shows that there was decline in credit to public corporations by JD 43.6 million, credit to Private sector increased by JD 211.43 million. This shows that the commercial banks extended more long-term loans through participation in syndicated loans and corporate bonds and to augment the liquidity of the commercial banks, the cash reserve ratio was cut down from 10 percent to 9 percent on current deposits and from 7 percent to 6 percent on saving and time deposits. Foreign assets in 1985, increased by JD 45.83 million. This is basically attributed to the increase in claims on non-residents and the higher Arab assistance level. Money supply decreased by JD 30.17 million in 1985 from its level of 1984 or a negative growth of (-3.4) percent.

On the liabilities said, the absolute increase (in 1981) was concentrated in money supply (M1) where it went up by JD 106.9 million at a rate of 18 percent. Quasi money increased by JD 88.2 million or at a rate of 22.6 percent as compared with 29.8 percent in 1981. Among other items, foreign liabilities, government and semi-government deposits increased by 20.1 percent, 18.2 percent respectively. In 1982, the increase was concentrated in quasi money which rose

by JD 137.62 million or 28.8 percent. Money supply went up by JD 85.84 million or 12.2 percent. Foreign liabilities increased by JD 23.3 million while government and semi-government deposits and other liabilities dropped by JD 14.63 million and JD 52.38 million respectively. As in 1982, the increase was concentrated in 1983, in quasi money which have gone up by JD 129.9 million or 21 percent and contributed 34.5 percent in the total liabilities of the said year.

Money supply grown up by 10.4 percent. Government and semi-government deposits and foreign liabilities have registered a good rise of JD 35.61 million and 46.21 million respectively. As the drop in Arab assistance to Jordan continued, the government resorted to more borrowing especially foreign borrowing, in order to meet its financial requirements and strengthen its balance of payments position. The slow down of the main monetary variables was pronounced most in money supply (M1) whose growth rate ranked from 10.4 percent in 1983 to 1 percent in 1984. Quasi Money grew at a rate of 17.9 percent. Deposits of Government and Semi Government suffered a reduction of JD 8.12 million or 6 percent, foreign liabilities increased at a rate of 27.6

In order to keep the ratio of quasi-money to money supply relatively high, money supply declined from a growth of 12.2 percent in 1981, to a negative growth rate of (-4) percent in 1985, quasi money also increase in absolute terms, while it has registered a growth of 28.7 percent in

1982, its growth in 1985 was only 16.7 percent. The rising ratio of quasi-money to supply through out the second plan period is a positive indication of the role played by the Central Bank of Jordan to maintain this ratio always high and in this regard, the banking system continued to shoulder the tasks assigned to it represented in maintaining monetary stability and mobilizing national savings.



Table 5.27 Monetary Survey of the Banking System Second Five Year Plan 1981 - 1985

Year	(In Millions of JDs)										
	Foreign Assets	Claims on Private Sector	Claims on Govt. and Semi-Govt. Institutions.	Claims on municipalities and Public Corporations.	Assets = Liabilities.	Money Supply (M1)	Quasi Money	Govt. and Semi-Govt. Deposits	Foreign Liabilities	Other Items (net)	
1	2	3	4	5	6	7	8	9	10	11	
1981	666.86	691.12	209.43	78.91	1645.60	701.66	478.32	116.52	178.65	72.86	
1982	628.34	842.88	274.71	122.81	1868.83	787.50	615.84	101.90	201.95	20.48	
1983	684.64	993.98	326.25	157.04	2161.21	869.42	745.64	137.51	248.21	7.99	
1984	718.02	1204.71	311.40	113.44	2347.57	878.39	879.27	129.39	316.76	29.62	
1985	763.85	1269.15	324.61	147.97	2505.55	848.82	1026.62	127.98	338.26	(-17.98)	

Source : Central Bank of Jordan, Annual Reports - various issues.

Note : The Banking system is taken here to include the Central Bank of Jordan, Commercial Banks and the Housing Bank.