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Determinants of Foreign Investment in Listed Firms at the Amman Stock Exchange

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Abstract: This study investigates the factors that may affect whether foreigners invest in a firm. A panel data set of 2,413 firm-year observations of listed firms at the Amman Stock Exchange was analyzed from 2002 to 2019. The results show that foreigners prefer to invest in large firms that have a dividends policy, a high-quality governance system and external auditing. Local institutional ownership and governmental ownership are found to be insignificantly associated with foreign investment. More interestingly, these results are reported after controlling for possible confounding events that are most likely to affect foreigners' decisions. Specifically, foreign investment is found to have been negatively affected by the global financial crisis (2007 to 2009). This study contributes to the literature by providing evidence that each capital market has its own features, thus the generalizability of the findings, even between developing countries, is questionable.
Keywords: Foreign Investment, Amman Stock Exchange.

1. Introduction

Foreign investment is essential to the economic growth of any country. Therefore, Jordan has established an attractive environment for investment by enhancing the institutional and legislative environment to promote foreign investment [1]. For example, in 1997 Securities Law No. 22 was issued and emerged out three institutions – i.e., the Amman Stock Exchange (ASE), the Jordan Securities Commission (JSC) and the Securities Depository Centre (SDC) – to regulate the capital market in Jordan. In 2001, the government adopted a programme of economic transformation to enhance the role of the private sector in the economy and institutionalise a partnership between the public and the private sectors. Furthermore, in 2009 the JSC enacted a corporate governance code to enhance the transparency and accountability of listed companies' financial reporting. It seems that these procedures have paid off, as the figures indicate a rise in foreign investment to reach 51.5% of ASE capitalisation in May 2021 [2]; this reflects the ability of ASE to attract foreign investment, due to the good investment and economic environment in Jordan [3, 4].

Foreign investment brings many benefits to the local economy, which are reflected in economic growth and a reduction in unemployment rates, and even an enhancement of the investment environment itself. [5] have claimed that foreign investments enhance employment opportunities and develop the financial sector. Similarly, [6] argued that foreign ownership can enhance corporate governance practices by playing a significant role in expanding growth opportunities and enhancing the value of firms.

This study aims to delve into the factors that may affect the decision of foreign investors to invest in listed Jordanian companies; this can be done by exploring foreign investors' preferences when they invested in companies. Moreover, the literature shows important factors that may attract foreign investment; for example, [4] found that foreign investments in Jordan are more likely to be directed to large companies with a low dividend yield. Additionally, [7] found a strong relationship between the operations of foreign banks and the governance levels of countries. Correspondingly, [8] established that companies with good governance attracted more foreign investors, regardless of their country-level protection environments of investment.

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2. Review of the Literature

2.1 Local Institutional ownership and Foreign Ownership

Several factors may play a key role in enhancing the sustained development of any market. The institutional environment is a major player in encouraging foreign investors to transfer their investments to such host countries [1]. Indeed, well-developed and diverse markets are expected to be attractive investment targets to foreign investments seekers [9]. In this regard, [10] finds that emerging markets were more manageable and preferred by foreign investors as a result of the diversity of the ownership map; specifically, the presence of institutional owners. In the same vein, [11] points to the noticeable role of institutional owners in increasing the percentage of foreign owners, since the former are seen as knowledgeable and experienced players in the map of firm ownership. Furthermore, [12] finds that the multinational corporations are more inclined to direct their investments towards firms which have a diverse ownership map (i.e., institutional owners).

Therefore, the presence of institutional owners acts as a trustworthy signal for local and foreign investors who are looking for safe investment channels to maximise their wealth [1]. Such investors have been classified as superior investment-hosting environments, since they are expected to have the upper hand in overseeing and controlling firms' activities, specifically their investments. Thus, the following hypothesis can be formulated:

H_1: There is a positive association between institutional ownership and foreign ownership.

2.2 Firm Size and Foreign Ownership

Firm size is another crucial factor which may appear as an attractive variable in hosting foreign investors in local markets. Large firms are classified as strong and stable destinations for investments, since such firms have superior levels of technology, management skills and, most importantly, monitoring mechanisms [13]. The monitoring mechanisms developed by large firms serve to entice foreign investors. In addition, [14] reports that larger firms are less sophisticated in accepting foreign investments, since such firms have the required experience and capital to achieve the expectations of foreign investors. Additionally, [15] shows the importance of firm size as one of the main conditions to enhance a firm's performance in which such a relationship will establish a solid investment ground for foreign investors within the Vietnamese environment.

To sum up, larger firms have been introduced as experienced and skilled players in enhancing firms' performance and their financial positions. This may create an incentive for foreign investors to direct their investments to large firms, since the necessary infrastructure is available, and the management skills are also available to protect their investments. Hence, the following hypothesis can be formulated:

H2: There is a positive association between firm size and foreign ownership.

2.3 Governmental Ownership and Foreign Ownership

The ownership map plays a key role as a monitoring mechanism in overseeing management activities, guaranteeing a stable investment environment for internal and external investors [1, 16]. Governmental ownership has been introduced as a valid monitoring tool, by means of which they are expected to constrain any unfavourable decisions undertaken by management. Indeed, they have functioned as active owners in enhancing the financial position of investee firms. In this regard, [17] demonstrates the key role of state-ownership in enhancing the financial position of firms, proposing that such firms are considered an attractive destination for foreign investment.

Some researchers, however, find that the existence of governmental ownership may not lead to an increased level of foreign owners. For instance, [18] found that state-owned firms were less attractive for foreign investors wishing to create smooth investment channels. Additionally, the state-owned firms have a greater tendency to make risky decisions in comparison with other types of owners. Such a conclusion reduces the probability of hosting foreign investors in such firms. Taken together, there is no general consensus on the potential association between governmental ownership and the decision of foreigners to invest in a firm. Nonetheless, the current study formulates the following hypothesis:

H3: There is a positive association between governmental ownership and foreign ownership.

2.4 Dividends Policy and Foreign Ownership

The distribution of dividends is one of the most crucial financial decisions a firm makes, because it is most likely to ensure the firm's long-term existence [19]. Agency theory argues that dividends can be used as a mechanism to alleviate agency problems in a firm by reducing cash flow, which in turn gives managers less potential to utilise free cash for their own benefit [20, 21, 22]. Moreover, signalling theory proposes that changes in dividend policy transmit information about changes in future cash flows [23. 24]. Owing to the information asymmetry between managers and investors, especially foreigners, managers use dividend changes as a signalling tool to convey their expectations about the firm's future growth.

Previous studies [25, 26, 27] have examined the relationship between foreign ownership and dividend payments. For example, [28] finds that investors exert more pressure on firms to pay high dividends to compensate them for the extra risk caused by greater informational asymmetry. In the same vein, [29], using a sample of Pakistani firms, find that foreign investors are forced to increase cash dividends. By contrast, [30] reports that foreign ownership is associated with lower level of dividends, suggesting that foreigners prefer reserving their profits for future growth. This result is also reported by examples of research in different contexts, such as those conducted by [23, 19, 31]. To conclude, the debate about the potential link between foreign ownership and dividends policy is still open, especially with the global changes in economic, social and political circumstances due to financial crises (e.g., the one that occurred in 2007), wars (e.g., what happened in Iraq, Libya, and Syria) and pandemics (such as Covid-19, which started in 2019). Hence, the following hypothesis can be suggested:

H4: There is a positive association between dividends policy and foreign ownership.

2.5 Corporate Governance Code Policy and Foreign Ownership

Financial globalisation has opened up equity markets for foreign investors and motivated them to move from developed to emerging markets. As a result, these emerging economies have experienced accelerated growth [32], because foreigners have a substantial amount of capital and adequate capabilities, along with their role in improving liquidity and the inflow of foreign currency, which in turn boosts the economic growth of a country [33]. It is essential, therefore, to determine the factors that actually persuade foreign investors to invest in a particular capital market [34]. Corollary to this, promoting corporate governance practices is perceived to be an essential tool to alleviate the agency problem arising from the separation between owners and managers [21]. Hence, foreign investors are most likely to be attracted to firms that have strong governance structures [35]. Since 1997, the Jordanian government has taken a number of steps to amend the corporate governance regime in the country. One of the specific objectives of Jordan's reformation has been a strong governance system, in order to safeguard the rights of investors [36].

Very limited studies have been conducted regarding the association between corporate governance and foreign investment. For instance, [37] reveal that board independence and ownership structure do not play a role in attracting foreign investment in the Saudi capital market. This result shows that foreigners do not attach ample significance to board governance and their investment decisions. The same result was also reported by [38]. In a similar vein, [34] has investigated the impact of board characteristics on foreign investment in the context of Bangladesh. The result reveals that there is a significant negative influence of board size on foreign investment, due to the fact that foreigners may associate smaller board size with more tenacious and effective decision-making. This result is consistent with [39, 40], who demonstrate that the board's financial expertise positively affects foreigners' decisions. Based on the previous discussion, the following hypothesis can be developed:

H5: There is a positive association between the corporate governance code and foreign

2.6 Audit Quality and Foreign Ownership

The Jordanian government considers attracting foreign investors a priority, due to the country's bounded natural resources [1]. Since that time, several laws have been enacted by the government designed to create a proper environment for attracting investors, which in turn improves the economic growth of the country [41]. A considerable literature proves that external audit acts as a monitoring mechanism which is supposed to diminish the agency costs arising from managers' self-serving behaviour [42]. Therefore, the quality of external auditors, especially those from the established international firms, can play a vital role in monitoring, by improving the quality of financial statements and helping foreigners with their investment decisions [43, 44]. Owing to this, managers demand a high quality of auditing, which includes a rigid audit with a proper degree of professional scepticism, conducted in compliance with the applicable standards.

A very limited number of studies, however, have been conducted regarding the association between audit quality and foreign investment. For example, [45] have found that firms with a high level of foreign ownership generally have to obtain a higher quality of auditing to alleviate conflicts of interest. Furthermore, [46] point out that foreign investors are more likely to demand a high quality of audit to safeguard their investment from manipulation. [47] however, indicates that there is an insignificant relationship between audit quality and foreign investment. Based on the previous discussion, it is clear that there is no general agreement about the association between audit quality and foreign investment. Nonetheless, the current study expects that firms with high-quality auditing are more attractive to foreigners; hence, the following hypothesis is formulated:

H6: There is a positive association between audit quality and foreign ownership.

3. Methodologies

3.1 Sample Selection and Variables Measurements

To determine the most important factors that motivate foreigners to invest in Jordanian firms, a comprehensive investigation is conducted using data from firms listed on the ASE from 2002 to 2019. All sectors are included in the sample, because there are no restrictions or special requirements imposed by the government pertaining to foreign ownership in any one sector. Table 1 shows that the listed firms for the period covered generated 2,822 firm-year observations. Some financial data, however, are not available for 225 observations, thus they are excluded. Additionally, 514 observations are excluded from the sample as their ownership structure is not disclosed in the firms' annual reports, especially in the early years of their trading on the ASE. After all exclusions, this study comprises 2,083 firm-year observations. The financial data as well as ownership structure data were collected manually from annual reports, which took approximately four months[11]

Table 1: Sample selection criteria

Description	Number of observations
Listed firms on the ASE from 2002 to 2019	3,152
Lacking: missing financial data	(225)
Lacking: missing ownership structure data	(514)
Final sample	2,413

This study uses the percentage of stocks owned by foreigners to the total number of a firm's stocks to measure foreign ownership (FOR.OWN). Independent variables include firm size (SIZE) measured by total assets at the end of a firm's year. Local institutional ownership (LOCAL.INST) is measured by the percentage of stocks owned by local institutions to the total number of a firm's stocks. Government ownership (GOV.OWN) is measured by the percentage of stocks owned by the Jordanian government to the total number of a firm's stocks. Dividends (DIVIDENDS) are measured using a dummy variable that takes the value of one if the firm distributed dividends, and zero otherwise. Governance quality (CGC) is measured using a dummy variable that takes the value of one if the firm year relates to the period 2009 to 2019, and zero otherwise. Audit quality (AUD.QUA) is measured using a dummy variable that takes the value of one if the firm is audited by one of the big-4 auditors, and zero otherwise.

[1 1] Firms' annuals reports are available online at:https://jsc.gov.jo/Disclousre.aspx

The study also controls for some factors that may have an impact on the association between firms' attributes and foreign ownership. The factors include loss (LOSS), which is measured using a dummy variable that takes the value of one if the firm has reported negative earnings, and zero otherwise. Firm age (AGE) is measured by the length of time since a firm's establishment. Global financial crisis (GFC) is measured using a dummy variable that takes the value of one if the firm year is 2008 or 2009, and zero otherwise. Table 2 specifies the variables and their measurement. To test this study's hypotheses, the following regression equation is used:

$$\begin{aligned} FOR.OWN_{it} = \beta_0 + \beta_1 SIZE_{it} &+ \beta_2 LOCAL.INST_{it} \\ &+ \beta_3 GOV.OWN_{it} + \beta_4 DIVIDENDS_{it} \\ &+ \beta_5 CGC_{it} + \beta_6 AUD.QUA_{it} \\ &+ \beta_7 LOSS_{it} + \beta_8 AGE_{it} + \beta_9 GFC_{it} \\ &+ \varepsilon_{it} \end{aligned}$$

Table 2: Summary of variables and their measurement

Description	Variable name	Measurement	Exp. sign
Dependent variable: FOR.OWN	Foreign ownership	The percentage of stocks owned by foreigners to the total number of a firm's stocks.	
Independent variables: SIZE	Firm size	The total assets at the end of a firm's year.	+
LOCAL.INST	Local institutional ownership	The percentage of stocks owned by local institutions to the total number of a firm's stocks.	+
GOV.OWN	Government ownership	The percentage of stocks owned by the Jordanian government to the total number of a firm's stocks.	–
DIVIDENDS	Dividen ds	A dummy variable that takes the value of one if the firm distributed dividends, and zero otherwise.	+
CGC	Corporate governance code	A dummy variable that takes the value of one if the firm year relates to the period 2009 to 2019, and zero otherwise.	+
AUD.QUA	Audit quality	A dummy variable that takes the value of one if the firm is audited by one of the big-4 auditors, and zero otherwise.	+
Control variables: LOSS	Loss	A dummy variable that takes the value of one if the firm is reported negative earnings, and zero otherwise.	–
AGE	Firm age	The time length of a firm establishment.	+
GFC	Global financial crisis	A dummy variable that takes the value of one if the firm year is 2008 or 2009, and zero otherwise.	?

4. Descriptive Statistics

Table 3: Pearson test

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
FOR.OWN	(1)	1.000								
SIZE	(2)	0.200	1.000							
LOCAL.INST	(3)	-0.149	-0.046*	1.000						
GOV.OWN	(4)	-0.033	0.140*	-0.068*	1.000					
DIVIDENDS	(5)	-0.020	-0.125*	0.064*	0.111*	1.000				
CGC	(6)	0.052*	0.032	-0.020	-0.003	-0.073*	1.000			
AUD.QUA	(7)	0.284*	0.267*	0.034	0.148*	0.111*	0.141*	1.000		
LOSS	(8)	-0.031	-0.156*	-0.041	-0.106*	-0.520*	0.103*	-0.130*	1.000	
AGE	(9)	0.046*	0.183*	0.060*	0.210*	0.332*	0.020	0.212*	-0.206*	1.000
GFC	(10)	0.025	-0.016	-0.004	-0.008	-0.008	-0.203*	0.019	-0.010	-0.070*

Notes: this table illustrates Pearson test of listed firms on the ASE from 2002 to 2019.The symbol (*) denotes significance at 5 percent in two-tailed test. All variables are defined previously in table 2.

Table 3 describes the variables of firms listed on the ASE from 2002 to 2019. The mean of foreign ownership (FOR.OWN) is 16.6 percent. Notwithstanding that, the market value of these stocks is ranged between 37 percent and 51 percent out of the total market value of all stocks on the ASE from 2002 to 2019. This relatively high market value indicates that Jordan has an attractive environment for foreign investments, most likely owing to the political stability as well as the absence of barriers to foreign investment in all sectors of the ASE. Indeed, the statistics show that some firms are totally owned by foreigners (i.e., the maximum percentage of their ownership is 99 percent). By contrast, some firms do not have stocks owned by foreigners as the minimum percentage is zero.

Table 4: Descriptive statistics of the current study's variables

Variables	Minimum	Maximum	Mean	Median	SD
FOR.OWN	0.000	0.990	0.166	0.005	0.248
SIZE (in millions)	0.234	7227	171.5	225.0	57.80
LOCAL.INST	0.000	0.973	0.262	0.190	0.453
GOV.OWN	0.000	0.999	0.037	0.000	0.106
DIVIDENDS	0.000	1.000	0.454	0.000	0.498
CGC	0.000	1.000	0.720	1.000	0.449
AUD.QUA	0.000	1.000	0.379	0.000	0.485
LOSS	0.000	1.000	0.323	0.000	0.467
AGE	1.000	81.00	25.05	20.00	19.64
GFC	0.000	1.000	0.152	0.000	0.359

Notes: this table illustrates the variables of firms listed on the ASE from 2002 to 2019. All variables were defined previously, in Table 2.

It seems that the average size of Jordanian firms is relatively low (the mean is approximately 171 million), especially when compared with other stock markets in both developed and developing countries [see, for example,48, 49]. While the average of stocks owned by local institutional investors (LOCAL.INST) is reported at 26.2 percent, the mean value recorded for government ownership (GOV.OWN) is only 3.7 percent. This implies that policymakers in Jordan have succeeded in their effort to privatise the capital market and moved the ownership of the majority of stocks on the ASE to the private sector. Indeed, government ownership decreased from 15 percent in 2002 (as reported by the ASE) to 3 percent in 2019, as indicated in Table 3. This significant reduction is considered one of the most important outcomes of 'Privatisation Law No. 25,' which was issued in 2000 to organise the privatisation process in the Jordanian business environment.

While the statistics show that 45.4 percent of firms distributed dividends (DIVIDENDS) to their shareholders, only 37.9 percent of listed firms are audited (AUD.QUA) by one of the big-4 auditors (i.e., PricewaterhouseCoopers, Ernst & Young, Deloitte and KPMG). On average, 32.3 percent of firms reporting negative earnings as (LOSS) appeared in Table 3. This indicates that some firms listed on the ASE are facing financial difficulties, which in turn may minimise their attractiveness to foreign investment. Although the Amman Financial Market was created in 1976 (this name was changed in 1999 to the ASE), the mean value recorded for firm age (AGE) is approximately 25 years, suggesting that some Jordanian firms are still developing and that they lack the experience to make themselves more attractive, especially to foreigners. Other variables – namely, governance quality (CGC) and the global financial crisis (GFC) – are not discussed here, because no meaningful statistics can be analysed.

5. Findings

The starting point pertaining to regression analysis is to check several assumptions, namely multicollinearity, normality, serial correlation and homoscedasticity. Some researchers, like [50] and [51], argue that multicollinearity starts to create concern regarding a regression's results when the correlation between two variables is 70 percent and more. The Pearson test, therefore, is used here to check whether the data have the multicollinearity problem. Table 4 shows that the highest correlation exists between dividends and loss (coefficient is -0.520). This negative correlation is highly expected, because conventional wisdom argues that when a firm reports a loss in a specific financial period, it is less likely to distribute dividends. A relatively high positive correlation also appears between dividends and age (coefficient is 0.332). This is consistent with the view in the literature that the oldest firms have more experience, compared with newly listed firms, thus they are more able to generate positive earnings and distribute dividends to their shareholders. To conclude, the current study's variables do not suffer from multicollinearity.

After checking other assumptions, the results reveal that the data are not normally distributed and that they suffer from heteroscedasticity. To overcome this, the present study follows the methodology adopted by [51] who employs robust standard errors. The fixed effect model (FEM) is used here to investigate the determinants of foreign investments in firms listed on the ASE. Furthermore, the random effect model (REM) is used to make the findings robust.

Table 5 reports the results of FEM with robust standard errors of the association between firms' attributes and foreign ownership. Firm size (SIZE) is found to be positively and significantly associated with foreign ownership (coefficient = 3.320 and $p< 0.05$), suggesting that large firms are more attractive to foreigners. Indeed, previous research, like that of [52] , documents how those large firms have a high-quality board of directors, in terms of including more independent and expert directors, which in turn leads to more control over managers' decisions, thus shareholders' interests are best served by those managers. Furthermore, investors in large firms are less likely to suffer from the problem of information asymmetry, as those firms disclose the relevant information on a regular basis. Therefore, foreigners are hesitant about investing in small firms. Based on this conclusion, H1 is supported.

Table 5**:** Results of FEM of the association between firms' attributes and foreign ownership.

Hypothesis	Variable	Predicted sign	Coefficient	Result
H1	SIZE	+	3.320**	*Accepted*
H2	LOCAL.INST	+	-0.010*	*Not accepted*
H3	GOV.OWN	-	-0.023	*Not accepted*
H4	DIVIDENDS	+	0.017**	*Accepted*
H5	CGC	+	0.014**	*Accepted*
H6	AUD.QUA	+	0.023***	*Accepted*
-	LOSS	-	-0.002	-
-	AGE	+	-0.001	-
-	GFC	?	-0.012*	-
Adjusted R^2 *F-value* *P-value*			11.20 4.070 0.000	

Notes: this table presents the results of FEM with robust standard errors of the association between firms' attributes and foreign ownership. The sample comprises of firms listed on the ASE from 2002 to 2019. The dependent variable is foreign ownership. Independent and control variables were defined previously, in Table 2.
The symbols (*), (**) and (***) denote significance at 10, 5 and 1 percent, respectively, in a two-tailed test.

Inconsistent with the current study's proposition, local institutional investors (LOCAL.INST) are found to be negatively associated with foreign ownership (coefficient = -0.010and $p< 0.10$). This indicates that foreigners avoid investing in firms where most stocks are owned by local institutional investors. This conclusion contradicts the view in the literature, such as in [53, 54], that the existence of institutional investors is considered a good sign pertaining to the quality of firms' financial reporting. One possible justification of this result is that foreigners, especially in developing countries, try to protect their investments by avoiding buying stocks in firms where the problem of information asymmetry, as well as the control of shareholders, may exist. Thus, H2 is rejected. In this line of thinking, foreigners are less likely to invest in firms where the government (GOV.OWN) appears in firms' ownership structures, as shown in Table 5. While the association between them is statistically insignificant, the negative sign of the coefficient is consistent with the predicted sign. The low percentage of government ownership in firms listed on the ASE (the mean is approximately 4 percent) may stand behind this insignificant association. Based on this conclusion, H3 is rejected.

This study proposes that firms that distribute dividends to their shareholders are more attractive to foreigners. The results in Table 5 support this proposition and report a positive and significant association between dividends (DIVIDENDS) and foreign ownership (coefficient = 0.017 and $p< 0.05$). This is consistent with the findings of previous studies in different contexts, like [55], that foreigners prefer such firms because it is considered a good indicator about their profitability, especially for the long run. Therefore, H4 is supported. There is universal agreement in the literature that the presence of a high-quality governance system is considered a good sign pertaining to a firm's financial performance and its profitability. The results of the current study are in line with this argument, with a positive and significant association being found between the implementation of the corporate governance code (CGC) and foreign ownership (coefficient = 0.014 and $p< 0.05$). Thus, foreigners are less likely to invest in firms that suffer from a weak governance system, especially when foreigners have the required skills, as well as the financial resources, to determine such firms. It seems that the strict requirements included in the CGC (i.e., stating a strict definition of an independent director, prohibiting a dual leadership structure, and determining the minimum and maximum when it comes to board size) exert more pressure on firms' managers to direct their decisions to maximizing shareholders' interests instead of their own benefit. Hence, H5 is supported.

Finally, Table 5 reports a strong positive association between audit quality (AUD.QUA) and the fraction of stocks owned by foreign investors (coefficient = 0.023 and $p< 0.01$), suggesting that hiring one of the big-4 auditors to audit firms' financial reports is considered a good sign pertaining to the quality of their reported earnings. This is because such auditors have a breadth of knowledge that may help them in detecting the problematic decisions and activities that do not align with stockholders' interests. Regarding control variables, only the global financial crises (GFC) have a positive relationship with foreign ownership. A possible explanation for this result is that during the crisis period foreigners' move towards investing in safe financial markets (i.e., Jordan) as they are less affected by the GFC compared with other markets, especially in developed countries.

6. Discussions

One of the most crucial decisions facing foreign investors is to determine the appropriate firms as well as context to invest in. This is because each context has its own features in terms of ownership structure, capital market regulations and governance quality. This study, therefore, examines the potential factors that may affect foreigners' decisions to invest in a firm or not. This has been done using a panel data set of 2,413 firm-year observations of firms listed on the Amman Stock Exchange from 2002 to 2019. The results show a statistically significant association between firm size and foreign ownership, indicating that large firms are more attractive to foreigners, most likely because such firms have effective monitoring mechanisms, either internal or external.

Dividends are also found to be positively and significantly associated with foreigners' investing preferences. High-quality governance as well as external auditing are considered important factors when foreigners decide to invest in a firm or not. This is most likely because such factors reflect the quality of a firm's financial reporting. Other factors – namely, local institutional ownership and governance ownership – are found to be insignificantly associated with foreign ownership. This study contributes to the literature by providing evidence that capital markets have their own features, thus each market must be examined separately to determine the potential factors that may affect foreigners' investment decisions.

7. Recommendations

This study recommends the following recommendations based on the results found over the study sample. Indeed, regulators and stockholders should concentrate on enhancing the monitoring role for both institutional ownership and governmental ownership in order to present such owners as committed owners in which they can attract foreign owners to invest in Jordanian firms. In addition, regulators should regulate several regulations which facilitate the flow of foreign investment to the Jordanian market since such market is classified as a scarce market in terms if its financial and natural resources.

Conflict of interest

The authors have no conflicts of interest to disclose.

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