

CHAPTER 5
THE AMMAN
STOCK MARKET

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5.1 INTRODUCTION :

The efficient management of money in order to produce the largest returns without the involvement of risk, though a difficult task, is highly significant as seen from both the individual as well as the social points of view.

The significance of a stock market lies in its effort to safeguard the ownership of stocks as well as to mould business of investment on a much higher plane of diligence and sincerity, along with its role as a catalyst by which the long-term savings of the community can be utilized for productive investment.

In economic terms, a stock market can be defined as a place where the buying and selling of investment takes place at prices which are dependent upon the supply and demand relationships. It is a place where the organization of common stocks and securities is done along with the effective participation of the investor who may be an individual or a professional.

A highly noteworthy function of a security market is the high degree of liquidity preference given to its investors, individuals and institutions. This concept correlates with Keynes' theory of money and rate of interest which states that an increase in the demand for money is the same as an increase in liquidity preference.

Therefore the significance of a stock exchange for any country becomes apparent because of its potential role as a catalyst such that long term savings of the people can be converted into productive real investment.

This chapter essentially attempts to examine and assess the structure and overall performance of a domestic stock exchange in Jordan while encompassing its general characteristics.

Jordan's stock exchange also follows a demand-supply pattern of evaluation as is the case with all developing countries. The need for a stock exchange in Jordan was emphasised by eminent planners of the three development plans of 1964, 1973 and 1976. In spite of the fact that the creation of a security market was recommended in the seven year plan as early as 1964, the actual establishment of the institution took place in 1976 and started its first day of business on June 1st 1978, when a special law creating the Amman Financial Market (AFM) was passed.

Proposal 18.4 of the seven year plan for Economic development proposed the development of a capital market, "The presence of which will widen the scope of internal investment opportunities and attract domestic investible funds from flowing into conspicuous consumption and foreign security investment".

More importantly, it will stimulate wider interest in equity type securities and facilitate the flotation of and trading in government bond issues and equity shares of both existing and newly established corporations.

The planners were also well aware of the fact that although the establishment of such an institution was a slow process, yet in course of development, it would help in meeting the long-term growth requirements of Jordan's financial structure.⁽¹⁾

Ironically, such a plan did not give substantial results primarily because of the 1967 war when the implementation of the plan itself was suspended. Moreover, this recommendation was made at a time when the central bank itself was newly established and thus needed an expert and qualified committee to operate the market. Lack of statistical and other information pertaining to the private or public shareholding companies that would provide financial statements on the size, structure, financial background and methods of financing further aggravated the situation.⁽²⁾

It was only after 1973 when the country experienced a fair degree of political stability that such a possibility of introducing a domestic market could be recommended. It was in June, 1976 that law no. 31 postulated a general framework for the operation of the Amman stock market.⁽³⁾

Today, the Amman Stock Market is a government agency which is given the power of financial and administrative independence. The market functions as a place for organising and facilitating trading of securities. Besides, it is also one of the main controlling bodies of new issues in Jordan. It also plays a participatory role in regularising active participation of the investors.

In other words, the Amman Stock Market is a vehicle in the hands of the government and is run with the primary responsibility of promoting and regularising the

transactions of both the primary and secondary markets. The role played by both the primary and secondary markets will be dealt with in the next part of this chapter.

The objectives of the Amman Financial Market as given per law no. 31 of 1976 include the following :

1. To enhance public participation in the investment of securities such that these savings may be channeled into productive services for the national economy.
2. To regulate and control the insurance of securities and dealings and to ensure the soundness, ease and speed of transactions that may serve the financial purpose of the country and the production of the interests of small savers.
3. To publish the necessary data in order to realize the above mentioned objectives.

In other words, an attempt was made by the Government of Jordan to render the market flexible such that diverse issues concerning the Jordanian economy could be taken into consideration. The market also attempts at being approachable by the people, thus providing satisfaction to its investors and encouraging savings.

The material goods of corporation are in the form of land, machinery, raw materials, cash, etc., appearing as assets on the balance sheets. They are represented in the form of shares of stock termed as 'capital stock'.

According to Charles Amos dice, the ownership of a share of stock carries with it three rights.

1. A right to participate in management.
2. A right to share in the proceeds of dissolution.
3. A right to dividends when they are declared.⁽⁴⁾

As cited earlier, investors are active participants of the market along with being cautious to avoid any kind of risk. At the same time, their sole purpose of investment is to seek higher expected returns. The greatest event that applies to this principle was in 1952 when Harry Markowitz published his model of selection which stated that investors prefer to hold groups of common stock rather than a single stock in order to minimize any risk involved with the expectation of greater returns. This process is known as diversification. Hence, diversification is a desirable objective for investors.

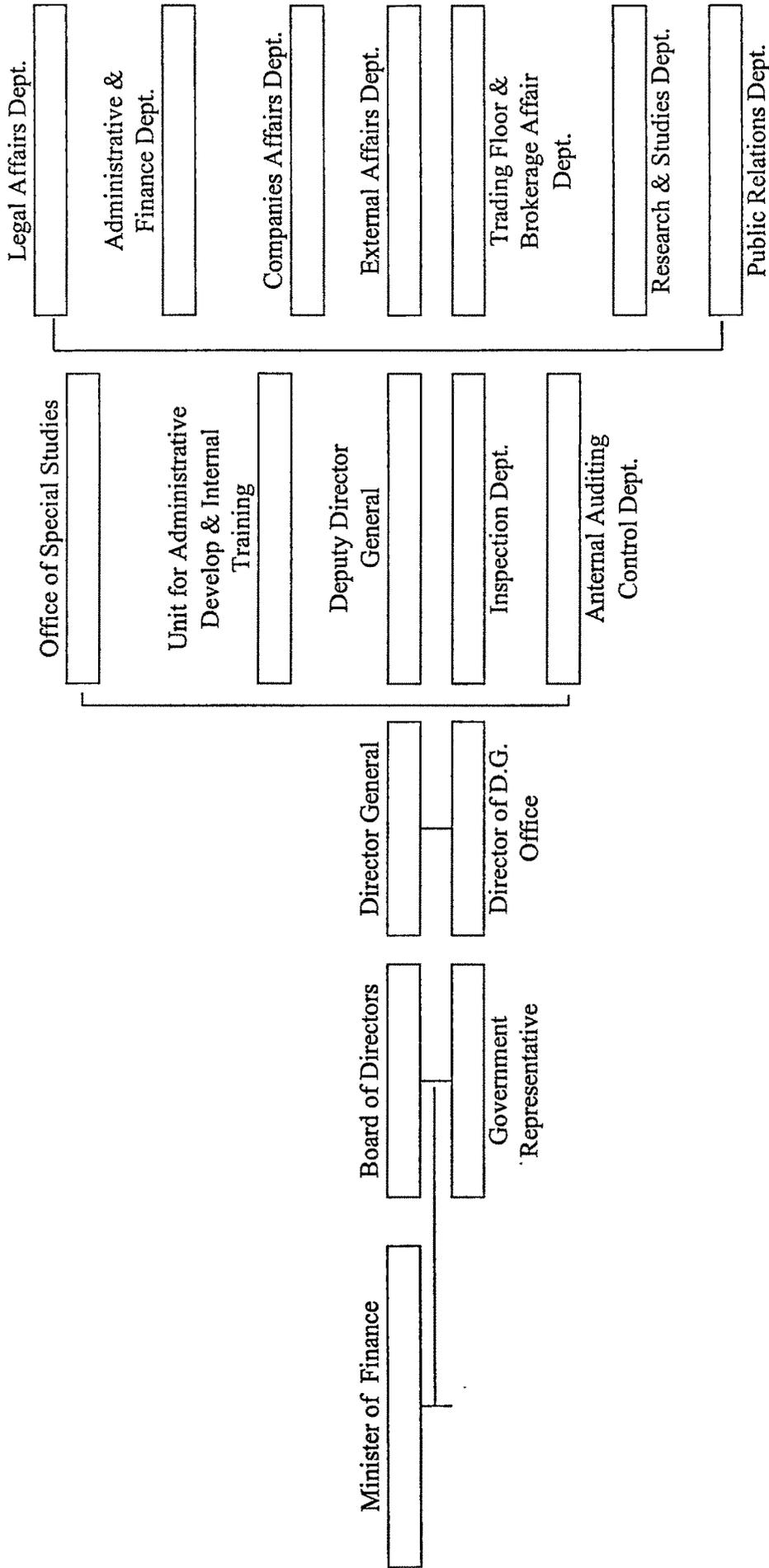
5.2 SIZE OF AMMAN STOCK MARKET :

The total capital of the Amman Stock Market amounts to US 5 billion dollars as given in the Jordan Stock Market Review, 1994. Jordan's Stock Market has attained the position of one of the most regularised and systematic markets amongst the Arab Countries. With the conduction of active trade in the country, its annual turnover is estimated to be US \$ 5.4 million. Figures indicate that the Stock Market has shown a marked upward trend over its seventeen year life span. The market primarily being dominated by the industrial sector, occupies a major portion of the total capital.

Despite the significant growth of the stock market over the years, its size is still small as compared to the emerging markets of other Arab Countries.

Pertaining to the markets of small size, the law of demand and supply applies there. A lower demand for long term instruments poses a hinderance to the demand side whereas on the supply side, concentration on the private sector with a limited distribution of financial instruments amongst the masses is a hinderance.⁽⁵⁾

Chart No. 1 : Structure of AFM



5.3 STRUCTURE OF AMMAN STOCK MARKET :

As explained earlier, the Amman Stock Market is overall responsible for enhancing and directing the trading activities carried out on the floor of the market. Therefore its role is not only that of a stock exchange but a body around which the entire proceedings of the market depends upon.

The elaborate structure of the Amman financial market as depicted in the Amman financial market report, 1993 has been shown in chart no. 1.

The financial instruments offered to the people include private sector securities such as equities and debt instruments, the people wanting to buy shares approach the market through a broker. Inter-management of prices are done in terms of the Jordanian Dinar.

5.4 TRADING ACTIVITIES AT THE AMMAN STOCK MARKET - THE PRIMARY AND SECONDARY MARKETS :

The Amman Stock Market has successfully satisfied its roots as the most eminent market since its establishment in 1978. The development of capital market institutions is a long-term gradual process that takes place during the course of economic and financial development.

The securities introduced in the market can be broadly categorised into 'primary' and 'secondary' securities on the basis of the treatment given.

- Primary securities are funds borrowed from the market by investors such that they can be rightly utilized for further investments and the market engaged in this activity is the primary market.
- Further, the investors' power to actually sell off the securities to another party before it matures is known as 'secondary securities' and the market engaged in this activity is the Secondary Market.

The Amman Stock Market has continually worked towards the establishment of newer tools for investment in securities in its endeavour to gain the confidence of its investors. Between 1978-90, the Amman Stock Market aimed at achieving fair trading activities keeping in mind various factors that are necessary for the overall development of a market along with fair trading activities. The Amman Stock Market has made ardent attempts to establish an adequate investment climate, a flexible regulatory framework, accumulation of savings for upcoming projects and has also provided adequate information to the public with regard to all the activities of the listed companies.

The data given in table 5.1 shows that there has been a remarkable increase in the volume of trading at the stock market over the past 15 years which can be attributable to the exceptional performance of the economy in Jordan. The figures indicated in the following table emphasises the importance of the Amman Stock Market as a securities exchange and trading unit of the economy of Jordan.

The number of shares traded in the market exhibited an initial value of JD 2.4 million in 1978, the number subsequently amounting to JD 37.2 million in 1985, to JD 136 million in 1990, at a compound growth rate of 36.4% between 1978-90. The value of

shares traded also experienced a multiple-fold increase from an initial value of JD 5.6 million in 1978 to JD 268.9 million at the end of 1990. The compound growth rate of the value of shares traded thereby showed a similar percentage increase of 34.6 annually.

However, as observed from the table, the number and value of shares traded showed wide fluctuations during the given time period of study due to mainly to a variety of factors. The four year period between 1980 and 1983 exhibited a growing intensity in the trading movements due to various economic and monetary measures taken by the government of Jordan. The number of shares traded experienced an upward trend from JD 17.3 million in 1980 to JD 61.1 million in 1983. The number of contracts executed also rose to 113.2 thousand in 1983 from 8.3 thousand in 1978. The value of shares in turn also showed a significant increase from JD 41.4 million in 1980 to JD 141.4 million in 1983. Moreover, trading at the parallel market (detail of which will be dealt with in the later parts of the chapter) started in 1982, hence figures obtained are for both regular and parallel markets from 1982 onwards.

Economic and operational slowdown had its after effects on the trade movements of the stock market as a result of which the number of shares declined to JD 40.8 million in 1984 from JD 61.1 million in the previous year, exhibiting a decline of 33.2%. Similarly the value of shares also dropped down by 58% from JD 141.4 million in 1983 to JD 59.3 million in 1984.

Between 1985 and 1988, in response to a number of measures taken by the government of Jordan such as lifting of practionism, cancelling the license requirements for industrial and agricultural projects, encouraging exports, restriction in inflation of the

Jordanian Dinar as well as prohibition of import of certain goods led to a positive growth in the trading activities of the country. By 1988, an overall balance in the trading activities was reached.

Another important factor which may have affected the trading at the stock market of Amman was a decrease in the share's market value in comparison to the book value. A speculative rise in the market's operations also contributed in pushing the prices upward, as a result of which shares were sold immediately by the speculators in order to minimise losses.

In other words, the market was able to successfully overcome all the international crisis in addition to the international financial market crash of 1987.

Table 5.1
Trading at Amman Stock Market during (1978-90)

Year	No. of Traded Shares	Value of Traded Shares	The General Price Index	
1	2	3	4	
1978	2.4 -	5.6 -	- -	
1979	6.5 (170.8)	15.8 (182.1)	- -	
1980	17.3 (166.1)	41.4 (162.0)	111.5 -	
1981	29.2 (68.7)	75.4 (82.1)	176.9 (58.6)	
1982	45.8 (56.8)	128.2 (70.0)	203.5 (15.0)	
1983	61.1 (33.4)	141.4 (10.2)	153.4 (24.6)	
1984	40.8 (-33.2)	59.3 (-58.0)	119.5 (-22.0)	
1985	37.2 (-8.8)	66.7 (12.4)	115.7 (-3.1)	
1986	48.8 (31.1)	69.5 (4.1)	106.5 (-7.9)	
1987	99.1 (103.0)	148.1 (113.0)	117.3 (10.1)	
1988	113.7 (14.7)	132.6 (-10.4)	124.4 (6.0)	
1989	195.6 (72.0)	367.5 (177.1)	137.3 (10.3)	
1990	136.0 (-30.4)	268.9 (26.8)	118.4 (-13.7)	
Compound growth rate (% per annum)				
1978-85	40.8	36.2	1980-85	0.74
1986-90	22.7	31.0	1986-90	2.14
1978-90	36.4	34.6	1980-90	0.54

Source : Amman Financial Market Statistics (1978-90) 1991 - pp. 57.

- (1) Price index was started to be computed at Jan-1st 1980. (Jan. 1980=100)
- (2) For both regular and parallel markets (trading at the parallel market started on Feb. 20th, 1982).
- (3) Figure in parenthesis indicate percentage

Consequently by 1989 and at the beginning of 1990, the trading activities of the Amman Stock Market showed a record high, the number of shares traded amounting to JD 195.6 million, rising by 72% over the previous year. Similarly the value of shares traded also recorded the highest figure of JD 367.5 million in 1989, exhibiting a 177.1% increase over the figures of 1988. Thus, new records were established in 1989 since 1978 when the Amman Stock Market was founded.

Unfortunately, as can be observed in the table, trading activities subsequently showed a negative growth rate by the end of 1990, the number of traded shares declining by 30.4%, followed by a 26.8% decline in the value of shares traded. The reason was again the Gulf Crisis which over shadowed the world economy along with the activities of the Amman Stock Market. A negative impact was also seen in the projects that could be attained by the listed companies.

The Amman Stock Market also had a share price index since 1980. This index can be defined as 'an indicator of the value of shares traded, also taking prices into consideration'. The general price index reached a maximum price index of 203.5 points in 1982. Between 1980-90, no such noticeable change could be seen in the compound growth rate of the price index, that is, from 111.5 points in 1980 to 118.4 points in 1990. This indicator is a clear representative of the markets' trend, which has shown wide fluctuations as seen in the table.

5.4.1 Amman Stock Market - The Primary Market :

The new public issues of stocks and shares are generally dealt with by the Primary Market. Majority of the new issues in the primary market comprise of Share Issues and Bond Issues.

Share issues can be categorised into two main types : Ordinary Shares and Preference Shares. The major difference between the two types of shares is that ordinary shares carry no fixed rate of dividend which is otherwise decided by the amount of net profit earned by the respective company whereas preference shares generally carry a fixed rate of dividend.

Three methods by which a new issue of shares can be placed in the primary market via : -

- (1) Finance company or financial institution where shares may be directly purchased,
- (2) A stock exchange where shares are floated in the primary market. and
- (3) Public issue of shares where a prospectus is circulated in the market.

The issuing committee at the Ministry of industry and Trade in co-operation with the Amman Financial Market are responsible for determining the prices of new share offerings introduced into the market. Equity is an alternative term used for ordinary shares, the definition of which has been explained above. The term equity also implies that taxation as a whole should be imposed in an equitable manner having a progressive system of taxation and that individual taxes should not be considered independantly.⁽⁶⁾

Equity shares are considered the most vital and important form of security. There are two ways in which equity shares may be subscribed.

- Firstly, by directly buying them from the stock market at a market price which may be higher or lower than the face value, the enlisted companies getting entitled to them.
- Secondly, the new or existing companies may offer equity shares with the aim of expanding their own finance.

According to Donald E. Fisher, "Equities are an investment media that represent an ownership position in which the investor in stocks is an owner of the firm and is thus entitled to a residual share of profits."⁽⁷⁾ Continuing with the concept of equity shares put forward by various authors, the accumulated equity offerings in Jordan can be well summarized in table 5.2 and 5.3 which give a tabular depiction of equity offerings by already established companies and newly established companies of Jordan between 1978 and 1990.

Eight such companies were established by the end of 1978, having an authorized capital of JD 7.5 million. This rose to 12 companies in 1982 which also formed the maximum number of companies established between 1978 and 1990. Three such companies were set up in 1985 and two companies by the end of 1990.

In 1978, the number of shares offered for public subscription was JD 1.4 million for 8 companies already established whereas the value of shares offered was JD 4.8 million. On the other hand, the number and value of shares covered had a value of JD 1.7 million and JD 6.7 million respectively later on. By 1990, only two such companies were well-established, the number and value of shares offered being 1.3 million and JD 2.4 million respectively. The number and value of shares covered did not exhibit much change.

On observing the compound growth rate per annum as given in the table, a rapid slow down in the economic activities of the market has been clearly revealed with a negative growth rate being exhibited by the number and value of shares offered as well as covered by the Primary Market. This can largely be attributed to the speculative mood

of the international markets. Many other miscellaneous causes were also responsible for this.

There was an overall decline in the dollar exchange rate, rise of gold and precious metals prices as well as a rise in the interest rates on the dollar and long term treasury bills, causing a lot of traders to sell their portfolio in equities and invest in bank deposits and fixed income securities.

By 1987, the companies of Jordan and Amman financial market passed through a stage of adjustment and revival following the international depression that influenced the Arab world during the early eighties. Moreover, with the amendment of the Encouragement of Investment law in 1987, proper incentives were provided to various companies, thereby encouraging a suitable investment climate.

Another factor that affected trading at the Amman Stock Market during the late eighties was the decrease of share's market value as compared to the book value. By 1989, the Amman Stock Market once again effectively contributed in developing investment awareness amongst people. In 1990, two of the already established companies included the Arab Seas Insurance and the National Financial Investment for which shares were offered for private subscription. The number of shares offered for public subscription was 1.3 million, its value being JD 2.4 million.

Table 5.2**Total equity offerings by established companies during (1978-90)**

Year	No.of companies	No.of shares offered for public subscription J.D. million	Value of shares offered in JD million	No.of shares covered of subscription	Value of shares covered subscription J.D. million
1978	8	1.4	4.8	1.7	6.7
	-	-	-	-	-
1979	7 (12.5)	3.4 (142.8)	9.6 (97.9)	4.3 (152.9)	11.7 (74.6)
1980	10 (42.8)	6.1 (79.4)	25.1 (161.4)	7.8 (81.3)	24.7 (111.1)
1981	4 (60.0)	2.2 (-63.9)	2.9 (-88.4)	2.4 (-69.2)	11.1 (55.0)
1982	12 (200.0)	12.5 (468.1)	45.5 (1468.9)	23.4 (875.0)	73.0 (557.6)
1983	4 (-66.6)	3.5 (-72.0)	4.8 (89.4)	- (-100.00)	- (-100.00)
1984	1 (75.0)	0.3 (91.4)	0.4 (91.6)	- (0.0)	- (0.0)
1985	3 (200.0)	2.7 (800.0)	6.7 (1575.0)	1.2 (0.0)	3.6 (0.0)
1986	3 (0.0)	3.3 (22.2)	8.2 (22.3)	3.3 (175.0)	8.8 (144.4)
1987	4 (33.3)	13.2 (300.0)	28.2 (243.9)	- (100.00)	- (100.00)
1988	1 (-75.0)	1.0 (-92.4)	1.0 (96.4)	1.0 (0.0)	1.0 (0.0)
1989	3 (200.0)	1.8 (80.0)	2.8 (180.0)	1.8 (80.0)	2.8 (180.0)
1990	2 (-33.3)	1.3 (27.7)	2.4 (14.2)	1.3 (-27.7)	2.4 (-14.2)
Total	62	52.7	142.7	-	-
Compound growth rate (Percent per annum)					
1978-85		8.5	4.2	-4.2	-7.4
1986-90		-16.9	-21.7	-16.9	-22.8
1978-90		-0.56	-5.1	-2.04	-7.5

Source : Amman Stock Market Statistics ((1978-90) 1991 pp. (29)
Figure in parenthesis indicate percentage

5.4.1.1 Total Equity Offerings by Newly Established Companies :

A new issue is an issue of shares made for the first time by a company wishing to raise capital by inviting the public at large to subscribe to a stated number of shares at fixed prices.⁽⁸⁾

The table 5.3 helps to critically analyze the total equity offerings by newly established companies during 1978-90. The table demonstrates that the formation and establishment of new publically held companies continued to grow rapidly over the four year period from 1980-83, showing an upsurge of 12 to 14 newly established companies. Activity on the stock market reached a peak by the end of 1981 when 47.4 million shares were covered by the establishers of 14 companies, followed by the same value of shares covered in the same year. The value of shares offered amounted to JD 24.2 million. The number and value of shares covered exhibited a compound growth rate of 31% and 19.3% respectively between 1986 and 1990, followed by a growth rate of 35.6% and 23.5% of the number and value of shares offered by the same promoters.

This could also be related to the rising popularity of the Amman Stock Market as reflected in the increase in the number of newly established companies whose shares were traded in the market.

The figures achieved between 1978 and 1983 reflected the significant role of the Amman Stock Market in attracting saving and absorbing liquidity such that this could be channeled towards investment in the Jordanian Capital Market in order to enable the corporations to execute their projects.

During this period, the Amman Stock Market witnessed the conversion of private companies into public companies with the goal of expanding the shareholder base as well as economic enrichment of the market. The government in turn also made ardent attempts to fulfill increasing demands for Jordanian products and allowed investments by absorbing the income surplus. This encouraged small savers and investors to invest in public companies. Consequently, there was an improvement in the financial status of the companies with a noteworthy rise in the share price, during the early eighties as evident from the table.

Subsequently, from the years following 1983, the economic activities of the Amman Stock Market including the Primary Market witnessed an operational slow down. The period between 1984-87 experienced a historical decline in the international security market. There was a sharp decline in the prices of some of the international stock exchanges, the losses being 690 billions dollars in U.S.A., 217 billion dollars in Britain and 348.5 million dollars in Japan.

The number of companies listed dropped down from 14 in 1981 to none in 1987. Once again various economists and analysts blamed the speculative mood that prevailed in the international markets. There was also a conflict between various trade countries regarding the dollar exchange rate which was also reflected in the dollar exchange rate and in the Jordan Stock Market that showed increasing deficits in the balance of trade. By 1989, the Amman Stock Markets revived back from the declined economic growth and witnessed a rising intensity in trading movements. There was a much smoother monetary floor, adequate liquidity and a suitable climate for investment.

The Amman Stock market was able to attract investment from many Arab countries and from the other part of the world also. In 1989, the number of shares and value of shares covered by establishers rose to JD 12.9 million and JD 11.4 million respectively.

During the first seven months of 1990, the trading movements at Amman Stock Market witnessed a distinguishing growth in its various activities, in response to the comprehensive economic reformation programmes adopted by the government.

However, equity offerings showed a rapid decline in share prices in addition to weak demand for investment in securities. This was primarily due to the Gulf Crisis which engulfed the world economy and international markets.

Hence in 1990, only one new shareholding company was established. The number and value of shares covered by this company amounting JD 2.3 million and JD 5.8 million respectively.

Table 5.3**Total equity offerings by newly established companies during (1978-90)**

Year	No. of companies	No. of shares offered for public subscription J.D. million	Value of shares offered in JD million	No. of shares covered of subscription	Value of shares covered subscription J.D. million
1978	3	2.6	3.9	2.6	3.2
	-	-	-	-	-
1979	4 (33.3)	0.7 (-73.0)	4.0 (2.5)	1.1 (-57.6)	3.2 (0.0)
1980	13 (225.0)	11.9 (1600.0)	12.3 (207.5)	10.2 (827.2)	10.4 (225.0)
1981	14 (7.6)	47.4 (298.3)	47.4 (285.3)	24.2 (137.2)	24.2 (132.6)
1982	12 (-14.2)	24.6 (48.1)	24.6 (-48.1)	21.3 (-11.9)	21.3 (-11.9)
1983	13 (8.3)	27.3 (10.9)	27.3 (10.9)	27.8 (30.5)	27.8 (30.5)
1984	3 (-76.9)	3.1 (-88.6)	3.1 (-88.6)	2.8 (-89.9)	2.8 (-89.9)
1985	1 (-66.6)	2.5 (-19.3)	2.5 (-19.3)	1.5 46.4	1.5 (-46.4)
1986	2 (100.00)	1.5 (-40.00)	2.4 (-4.0)	0.5 (-66.6)	0.8 (-46.6)
1987	- (-100.00)	- (-100.00)	- (-100.00)	- (-100.00)	- (-100.00)
1988	1 (0.0)	4.4 (0.0)	4.4 (0.0)	1.7 (0.0)	1.7 (0.0)
1989	4 (300.00)	12.9 (193.1)	11.4 (159.00)	6.1 (258.8)	3.3 (94.1)
1990	1 (-75.0)	5.8 (-55.0)	5.8 (49.1)	2.3 (-62.2)	2.3 (-30.3)
Total	71	144.7	149.1	102.1	102.5
Compound growth rate (Percent per annum)					
1978-85		-0.48	-5.4	-6.6	-9.03
1986-90		31.0	19.3	35.6	23.5
1978-90		6.3	3.1	-0.93	-2.5

Source : (1) Amman Stock Market Statistics ((1978-90) 1991 pp. (30)

(2) In 1987 No new companies were established during this year.

Figures in parenthesis indicate percentage

5.4.2 Amman Stock Market - The Secondary Market :

After having discussed the trade movements and equity shareholdings of the companies under the primary market, let us now have a look at the structure and working of the secondary market at the Amman Stock Market.

The Amman Stock Market identifies itself as a securities stock exchange in the secondary market. The Secondary Market can be further subdivided into four markets :

1. The Parallel Market
2. The Regular Market
3. The Bond Market &
4. Legal Transfers

5.4.2.1 The Parallel Market :

This market provides an access to the newly established companies as well as those on the process of being listed. The parallel market allows these companies to trade in the market much before their formal listing. Trading at the parallel market was resumed on 20th Feb, 1982 due to a number of factors as cited below :

1. There were noticeable changes in both the supply and demand factors in favour of the Amman stock market. Demand for shares showed a significant upward trend and the volume and number of shares traded attained much higher boundaries. This could not be solely handled by the primary market hence the secondary market was established to bridge the gap between the soaring demand and supply of shares.

2. Numerous companies waiting to be listed for trading activities in the market were actually transferred to the legal department of the Amman stock market without having adequate knowledge about the fair price of stock. Conversely, the secondary market provided the facility of quoting daily prices of the shares traded in the market.
3. The secondary market was again established with the view to enable the companies waiting to be listed to trade on the floor of the market without fulfilling any prerequisites or special requirements.

Stocks are traded in the parallel market for at least once year. Moreover, 10% of the shares actually need to be traded before the company becomes eligible for formal listing in the Regular Market.

Therefore, to sum up, the purpose of establishing a Parallel Market is to facilitate organized and orderly trade of shares of companies waiting to be listed in the Regular Market and where listing requirements are less rigid and at the same time it keeps in mind the essential requirements of the investor. Today, the Parallel Market has established itself as a highly versatile market that is meeting the ever increasing demands of the companies as well as inverse.⁽⁹⁾

- **Number of Traded Shares in the Parallel Market Sector During 1982-90 :**

The sectoral distribution of the number of Shares traded at the Parallel Market is given in table 5.4. No such active trade could be observed in the various sectors of the economy at the parallel market as the bulk of shares were traded at the Regular Market. Banking and finance companies showed a decline in the number of shares traded from

42.9% of the total in 1982 to an almost negligible amount in 1990. The industrial sector rose slightly from 1.4 million in 1982 to 1.6 million in 1990, its percentage share rising from 12.5% to 94.1% of the total during the same time period. Shares traded in the services sector also showed a drastic decline from 26.7% in 1982 to 5.9% in 1990. On the other hand, trading activities were carried out by the Insurance sector at the Parallel Market. The negative annual compound growth rates of the various sectors have been shown in the table.

The gradual decline in the activities of the shares traded at the Parallel Market confirms the superiority of the Regular Market in which the major bulk of the trading activities is carried out after formal enlistment of the companies. The decline was also because of the transfers of companies from the Parallel Market to the Regular Market.

Table - 5.4

Number of Traded shares in the Parallel Market sector during 1982-90

Year	Banking & Finance Companies	Insurance	Services	Industry	Grant Total
1982	4.8 (42.9)	2.0 (17.9)	3.0 (26.7)	1.4 (12.5)	11.2 (100.00)
1983	10.1 (40.7)	1.1 (4.4)	11.7 (47.2)	1.9 (7.7)	24.8 (100.00)
1984	3.2 (25.4)	0.1 (0.8)	7.8 (61.9)	1.5 (11.9)	12.6 (100.00)
1985	0.5 (8.3)	- -	3.3 (55.0)	2.2 (38.9)	6.0 (100.00)
1986	1.0 (11.1)	- -	4.5 (50.0)	3.5 (38.9)	9.0 (100.00)
1987	0.9 (6.8)	- -	8.6 (64.7)	3.8 (28.5)	13.3 (100.00)
1988	2.9 (29.9)	- -	4.1 (42.3)	2.7 (27.8)	9.7 (100.00)
1989	1.1 (36.7)	- -	1.9 (63.3)	- -	3.0 (100.00)
1990	- -	- -	0.1 (5.9)	1.6 (94.1)	1.7 (100.00)
Compound growth rate (percent per annum)					
1982-90	-16.8	-	-31.4	1.49	-18.8

- Source : (1) Amman Stock Market ((1978-90)
 (2) Trading started at the Parallel market Feb.20, 1982.
 (3) Figure in parenthesis indicate percentage

- **Value Traded in the Parallel Market (1982-90) :**

After taking into account the number of shares traded in the parallel market, let us now take into account the value of shares traded in the parallel market.

A similar trend may be observed in case of value of shares traded by various companies in the Parallel Market. The total value of shares traded at the Parallel Market showed a downward trend from 16 million in 1982 to 2.5 million in 1990, at an annual compound growth rate of 18.6%. The value of shares traded by companies at the bank and financial sector exhibited a slow decline thus co-inciding with the gradual decline in the number of shares too. The value of shares slowed down from, JD 5.1 million to JD 1.2 million between 1982 and 1990, the rate of decline being 37.4% annually.

The number of listed companies at the Parallel Market decreased substantially by the end of 1985, only the companies of the industrial sector maintaining a more or less stable position, its percentage share of the total value traded at the parallel market exhibiting an upward trend from a mere 13.8% in 1982 to 45.8% in 1985 and finally occupying a percentage of 96% of the total by the end of 1990.

Value of shares in the services sector declined dramatically from JD 10 million in 1983 to JD 0.1 million in 1990, its annual rate of decline amounting to 33.6%. Value of shares traded at the Parallel Market by the insurance sector was unable to reach the million mark from 1985 onwards.

Therefore, the conclusion that can be arrived at after analyzing the total number, value of shares and the distribution of shares amongst the various economic sectors at the

Parallel Market is that, by 1990, the Parallel Market registered a marked retreating in the number of shares and number of contracts executed whereas the value of trade recorded a moderate growth.

Table 5.5
Value traded in the parallel market during 1982-90

Year	Banking & Finance Companies	Insurance	Services	Industry	Grant Total
1982	5.1 (31.9)	4.7 (29.3)	4.0 (25.0)	2.2 (13.8)	16.0 (100.00)
1983	8.8 (40.4)	1.4 (6.4)	10.0 (45.9)	1.6 (7.3)	21.8 (100.00)
1984	1.3 (21.0)	0.1 (1.6)	3.4 (54.8)	1.4 (22.6)	6.2 (100.00)
1985	0.3 (12.5)	-	1.0 (41.7)	1.1 (45.8)	2.4 (100.00)
1986	0.6 (12.8)	-	1.5 (31.9)	2.6 (55.3)	4.7 (100.00)
1987	0.5 (8.9)	-	2.9 (51.8)	2.2 (39.3)	5.6 (100.00)
1988	1.8 (32.1)	-	2.4 (42.9)	1.4 (25.0)	5.6 (100.00)
1989	1.2 (52.1)	-	1.1 (47.8)	-	2.3 (100.00)
1990	-	-	0.1 (4.0)	2.4 (96.0)	2.5 (100.00)
Compound growth rate (percent per annum)					
1982-90	-37.4	-	-33.6	0.97	-18.6

Source : (1) Amman Stock Market ((1978-90) (1991)
(2) Trading started at the Parallel market Feb.20, 1982.
Figures in parenthesis indicate percentage

5.4.2.2 The Regular Market :

A regulated market is an organised, wholesale or central market, regulated and controlled by the Government. Transactions in such an organised market are governed by some standard procedures.⁽¹⁰⁾

The regular market is a central meeting place for buyers and sellers in which all the business is authoritatively governed by the established rules and regulations thus determining a continuous relationship between demand and supply. It being a self disciplined organization, it allows for free competition and perfect freedom between the buyers and sellers.

In order to be listed into the mainstream transactions of the Regular Market, the companies need to be in operation for at least two years and to have published at least two financial reports. Moreover, 10% the shares need to be traded before the company becomes eligible for formal listing in the Regular Market.

- **Number and Value of Trading in the Regular Market :**

Table 5.6 and 5.7 provide ample evidence on the total number and volume of shares traded amongst various sectors at the Regular Market.

Trade of shares on the regular market floor can be categorised into various sectors they being the banking and financial sectors, insurance sector, services and the industrial sectors. The industrial sector has risen as the sector playing the most active role in comparison to the banking and services sector.

Total shares traded and volume of trade under-gone in the market has shown a dramatic upward trend between 1978 and 1990. The total number of shares traded has risen from 2.5 million in 1978 to 134.4 million in 1990 exhibiting a compound growth rate of 35.8%. The value of these shares traded has also shown a similar trend rising from JD 5.6 million in 1978 to JD 266.4 million in 1990 at a compound growth rate of 34.5% annually.

A yearwise evaluation of the distribution of shares amongst various sectors show that the industrial sector has occupied a major portion of the shares traded, the number of shares traded at the industrial sector rising from 36% in 1978 to 52.8% in 1990, at an annual growth rate of 39.9%. The value of shares also rose significantly from 51.8% of the total volume of shares traded at the regular market in 1978 to 59.3% of the total in 1990, exhibiting a compound growth rate of 36% during the same time period. Fluctuations can be observed with regard to the number of shares traded in this sector due to variable trends occurring in the market. However, tangible progress was observed between 1985 and 1990.

This was followed by the banking and financial institutions which occupied 17.5% of the total number of loans by the end of 1990, its volume of trade being 26.7% of the total volume of trading activities on the Regular Market floor. This sector exhibited a compound growth rate of 27.4% of the total number of shares traded with a 32% annual increase in the volume of trade activities in the market.

The increase in the number of shares was contributed significantly by the services sector which soared from 0.5 million in 1978 to 36.4 million by the end of 1990, thus

registering a 39% annual increase. The volume of trade activities also rose significantly at an annual growth rate of 35.3%.

The Amman Stock Market continued its activities of strengthening the capital market and channeling the savings into appropriate investments. In 1983, Jordan faced a hardly hit economic recession with a resultant lowering of growth rate of shares. The total number of shares traded under the various sectors suffered a severe set back, the total number and volumes of shares traded in the Regular Market dropping from 36.3 million and JD 119.6 million in 1983 to 28.2 million and JD 53 million by the end of 1984.

Nevertheless, a considerable improvement was observed in the following year, that is, in 1985. The industrial sector gained its position in 1986 and its volume of trade rose from JD 11.8 million in 1985 to JD 158 million in 1990.

Improvement in the industrial activities was largely due to the keen interest taken by the government to encourage working as well as the protection of these companies and exemption from excise and other duties.

The share of industrial companies dominated the market for the next 3-4 years, this sector showing a record high of JD 129.7 million in 1989 occupying 67.4% of the total shares.

The return of economic depression in the Jordanian economy in 1990, was once again reflected in the total number and volume of shares traded declining by 30.1% and 27% respectively. All sectors experienced serious setbacks with regard to the trade activities of the regular market by the end of 1990 as compared to the previous year.

Table 5.6

No. of Traded Shares in different sectors of the regular Market during (1978-90)

J.D. Million

Year	Banks and financial institutions	Insurance	Services	Industry	Total
1978	1.0 (40.0)	0.1 (4.0)	0.5 (20.0)	0.9 (36.0)	2.5 (100.00)
1979	3.0 (46.2)	0.2 (3.0)	1.3 (20.0)	2.0 (30.8)	6.5 (100.00)
1980	7.6 (43.7)	0.3 (1.7)	4.4 (25.3)	5.1 (29.3)	17.4 (100.00)
1981	9.8 (33.6)	0.9 (3.0)	4.6 (15.8)	13.9 (47.6)	29.2 (100.00)
1982	11.0 (31.8)	1.8 (5.2)	7.1 (20.5)	14.7 (42.5)	34.6 (100.00)
1983	16.4 (45.2)	1.4 (3.9)	5.2 (14.3)	13.3 (36.6)	36.3 (100.00)
1984	10.7 (37.9)	1.9 (6.7)	3.2 (11.4)	12.4 (44.0)	28.2 (100.00)
1985	15.7 (50.3)	1.4 (4.5)	4.2 (13.5)	9.9 (31.7)	31.2 (100.00)
1986	17.0 (42.6)	1.9 (4.8)	5.0 (12.5)	16.0 (40.1)	39.9 (100.00)
1987	18.4 (21.5)	2.9 (3.4)	5.1 (6.0)	59.3 (69.1)	85.7 (100.00)
1988	21.5 (20.7)	2.1 (2.0)	15.7 (15.1)	64.8 (62.2)	104.1 (100.00)
1989	28.1 (14.6)	4.0 (2.1)	30.7 (15.9)	129.7 (67.4)	192.5 (100.00)
1990	23.5 (17.5)	3.5 (2.6)	36.4 (27.1)	71.0 (52.8)	134.4 (100.00)
Compound growth rate (Percent per annum)					
1978-85	41.0	39.0	30.4	34.9	37.0
1986-90	6.6	12.9	48.7	34.7	27.4
1978-90	27.4	31.4	39.0	39.9	35.8

Source : Amman Stock Market Statistics during (1978-90) 1991 pp. (46)

Figures in parenthesis indicate percentage

Table 5.7
Volume of Trading in the regular Market during 1978-90

J.D. Million					
Year	Banks and financial institutions	Insurance	Services	Industry	Total
1978	1.9 (33.9)	0.2 (3.6)	0.6 (10.7)	2.9 (51.8)	5.6 (100.00)
1979	6.8 (43.0)	0.9 (5.7)	1.3 (8.2)	6.8 (43.1)	15.8 (100.00)
1980	17.3 (41.9)	0.9 (2.2)	5.9 (14.3)	17.2 (41.6)	41.3 (100.00)
1981	28.9 (38.3)	6.6 (8.8)	7.8 (10.3)	32.1 (42.6)	75.4 (100.00)
1982	49.1 (43.8)	8.8 (7.8)	14.5 (12.9)	39.8 (35.5)	112.2 (100.00)
1983	86.9 (72.7)	5.1 (4.3)	6.6 (5.5)	20.9 (17.5)	119.6 (100.00)
1984	33.0 (62.3)	2.6 (4.9)	2.8 (5.3)	14.6 (27.5)	53.0 (100.00)
1985	47.1 (73.3)	2.6 (4.0)	2.8 (4.4)	11.8 (18.3)	64.3 (100.00)
1986	39.2 (60.5)	4.2 (6.5)	3.1 (4.8)	18.3 (28.2)	64.8 (100.00)
1987	40.3 (28.3)	7.4 (5.2)	3.3 (2.3)	91.6 (64.2)	142.6 (100.00)
1988	40.5 (31.9)	3.1 (2.4)	7.0 (5.5)	76.4 (60.2)	127.0 (100.00)
1989	85.5 (23.4)	7.8 (2.1)	31.6 (8.7)	240.3 (65.8)	365.2 (100.00)
1990	71.2 (26.7)	6.4 (2.4)	30.8 (11.6)	158.0 (59.3)	266.4 (100.00)
Compound growth rate (Percent per annum)					
1978-85	49.3	37.7	21.2	19.1	35.6
1986-90	12.6	8.78	58.2	53.9	32.6
1978-90	32.1	30.5	35.3	36.0	34.5

Source : Amman Stock Market Statistics (1978-90) 1991 pp. (47)
 Figures in parenthesis indicate percentage

5.4.2.3 Number of Companies listed and to be listed at the Regular and Parallel Markets :

It has already been illustrated that the development of Capital Market institutions is a long-term gradual process that takes place during the course of economic and financial development. This gradual developmental process of the capital market may be reflected in terms of the number of listed companies at the regular and parallel market and number of companies to be listed between 1978-90.

On observing table 5.8, it can be clearly seen that the regular market enjoyed a monopoly with regard to the number of companies listed between 1978-90. A continual growing trend is witnessed with regard to enlistment of companies from a number of 57 in 1978 to 115 in 1990, rising at a compound growth rate of 5.5% annually. It was only after the year 1981 that the Regular Market faced competition, its percentage share of the total listed companies being 100% before 1982. In 1982, the Parallel Market established itself with 13 companies, occupying 10.2% of the total of 128 companies listed in the same year. This number declined to 6 companies by the end of 1990.

A critical evaluation of the period between 1985-90 shows that the number of companies enlisted under the Regular Market experienced a record high of 107 companies in 1988. There was a major upturn in the trading of industrial shares. More companies underwent formal listing according to the regulations laid down by the Regular Market as the percentage of unlisted companies in the parallel market declined from 10.2% in 1985 to 5.2% in 1990.

Table 5.8

Number of listed companies at the regular and parallel Markets and Companies to be listed during 1978-90

Year	Regular Market	Parallel Market	Companies to be listed	Total
1978	57 (100.00)	-	-	57 (100.00)
1979	71 (100.00)	-	-	71 (100.00)
1980	71 (100.00)	-	-	71 (100.00)
1981	72 (100.00)	-	-	72 (100.00)
1982	86 (74.8)	13 (11.3)	16 (13.9)	115 (100.00)
1983	95 (75.4)	14 (11.1)	17 (13.5)	126 (100.00)
1984	103 (78.6)	12 (9.2)	16 (12.2)	131 (100.00)
1985	104 (81.3)	13 (10.2)	11 (8.5)	128 (100.00)
1986	104 (84.6)	11 (8.9)	8 (6.5)	123 (100.00)
1987	106 (86.2)	13 (10.6)	4 (3.2)	123 (100.00)
1988	107 (86.3)	13 (10.5)	4 (3.2)	124 (100.00)
1989	105 (90.5)	6 (5.2)	5 (4.3)	116 (100.00)
1990	102 (88.7)	6 (5.2)	7 (6.1)	115 (100.00)
Compound growth rate (Percent per annum)				
1978-85	7.8	-	-	10.6
1986-90	-(0.38)	1982-90	1982-90	1.3
1978-90	4.6	-8.2	-8.7	5.5

Source : (1) Amman Financial Market Statistics 1991 pp. (6)
 (2) Trading in the Parallel Market Started on Feb. 20 = 1982.
 Figures in parenthesis indicate percentage

5.4.2.4 The Bond Market :

Bonds form 1% of the total shares traded off the bond market floor and can be categorised into : Corporate Bonds, Development Bonds, Treasury Bonds and Treasury Bills. They are a means of short-term borrowing by the Government. The aim of establishing a Bond Market was to activate the transactions of bonds and bills in the Secondary Market. Bonds were originally issued to cover expenditure in anticipation of revenue.

Trading of bonds is generally done outside the floor of the market, intermediated by brokers. Moreover, trading of these bonds has been accompanied by wide fluctuations over the years.

The Bond Market as such takes into consideration the interest of the investor. The Jordanian Treasury issues bonds, bills and notes to attract a number of investors because of its varied features and liquidity granted. Bonds and bills traded at the Amman Stock Market carry a maturity of three months to ten years. The interest incurred over these instruments is generally exempted from state and other local taxes.

In co-ordination with the central bank of Jordan, the Amman Stock Market in government bonds and bills under a revised mechanism forwarded by the Renter Monitor service. This has helped in the rapid development of trade in the marketfloor.

Treasury bills with its high liquidity pattern are another popular form of government security. They are short term notes that mature within two months from the date of issue.

As evident from Table 5.9, trends over the years have shown that investors prefer to invest in government bonds inspite of the great variety of other ownerships available primarily because of price stability and guaranteed payment.

Nominal value of such bonds includes the price at which they will be redeemed. The market value of such stocks and bonds vary considerably from its nominal price. On observing the trends of such developmental and Corporate Bonds followed in Jordan from 1979 onwards, various noteworthy factors may be highlighted.

Development bonds were started being issued in 1979, whereas corporate bonds in 1980. Development bonds occupied a major bulk of the total number of bonds that is 99.6% of the total in 1985 and 86.5% of the total in 1990, followed by 9.5% of corporate bonds in the same year. The table also exhibits the almost insignificant position occupied by treasury bills and bonds. Trading of bonds grew at an annual growth rate of 4.5%.

The market value of development bonds also rose by 6.4% annually whereas that of corporate bonds declined by 1.2%. By 1985, there was an upturn in the activities of the Amman Financial Market which showed a tremendous improvement over the previous years. Approximately 337.3 thousand development bonds that is 99.6% of the total bonds were traded in 1985 having a total market value of JD 3.3 million or 91.7% of the total market value of these bonds.

The years following 1985 experienced a downward trend in the number of shares traded which fell from 337.3 thousand to 97.1 thousand in 1987, the respective market value falling from JD 3.6 million to JD 1.1 million in 1987.

Figures achieved by the end of 1988 were very encouraging. The main reason behind the rise in the number of bonds by the end of 1988 was the increased sophistication of the secondary market for these government bonds under the Amman Stock Market. Moreover an open market was also started by the central bank of Jordan in Feb 1988. Another reason may have been the instructions given to commercial banks to invest 4% of their total deposits in treasury bills and bonds.

By 1990, once again the activities of the Amman Stock Market declined considerably due to the unfavourable circumstances leading to an economic slowdown in the country. Its effect was also evident in case of bonds traded, the number declining by 69.7% in 1990 over the previous year, the market value also experiencing a downward trend by 86% as compared to the figures of 1989.

Table 5.9
Trading of bonds during (1979-90)

(Thousand)

Year	Number of bonds (Thousand)				Market value (J.D. Million)			
	Develop- ment bonds	Corporate bonds	Treasury bills & bonds	Total	Develop- ment bonds	Corporate bonds	Treasury bonds	Total
1979	117.1 (100.0)	- -	- -	117.1 (100.0)	0.8 (100.0)	- -	- -	0.8 (100.0)
1980	90.1 (91.6)	8.3 (8.4)	- -	98.4 (100.0)	0.8 (50.0)	0.8 (50.0)	- -	1.6 (100.0)
1981	215.8 (99.3)	1.6 (0.7)	- -	217.4 (100.0)	2.1 (91.3)	0.2 (8.7)	- -	2.3 (100.0)
1982	183.6 (99.6)	0.7 (0.4)	- -	184.3 (100.0)	1.8 (94.7)	0.1 (5.3)	- -	1.9 (100.0)
1983	42.5 (99.1)	0.4 (0.9)	- -	42.9 (100.0)	0.4 (66.7)	0.2 (33.3)	- -	0.6 (100.0)
1984	124.3 (97.4)	3.3 (2.6)	- -	127.6 (100.0)	1.2 (75.0)	0.4 (25.0)	- -	1.6 (100.0)
1985	336.1 (99.6)	1.2 (0.4)	- -	337.3 (100.0)	3.3 (91.7)	0.3 (8.3)	- -	3.6 (100.0)
1986	105.6 (87.0)	15.8 (13.0)	- -	121.4 (100.0)	1.0 (40.0)	1.5 (60.0)	- -	2.5 (100.0)
1987	96.1 (99.0)	1.0 (1.0)	- -	97.1 (100.0)	1.0 (90.9)	0.1 (9.1)	- -	1.1 (100.0)
1988	440.0 (82.6)	81.5 (15.3)	11.5 (2.1)	533.0 (100.0)	4.6 (27.7)	1.9 (11.5)	10.1 (60.8)	16.6 (100.0)
1989	472.6 (71.8)	121.3 (18.4)	64.7 (9.8)	658.6 (100.0)	4.8 (21.7)	11.0 (49.5)	6.4 (28.8)	22.2 (100.0)
1990	172.0 (86.5)	18.9 (9.5)	8.0 (4.0)	198.9 (100.0)	1.7 (54.8)	0.7 (22.6)	0.7 (22.6)	3.1 (100.0)
Compound growth rate (percent per annum)								
1979-85	16.2	-27.5		16.3	22.4	-15.0		28.4
1986-90	10.2	3.03		10.3	11.1	-14.1		4.3
1979-90	3.2	7.76		4.5	6.4	-1.2		11.9

Source : (1) Amman financial market statistics 1991
(2) Annual reports amman financial market 1978-1991.
(3) Trading of treasury bills and bonds started on 26.1.1988.
Figure in parenthesis indicate percentage

- **Value traded in the secondary market :**

As dealt with in the early parts of the present chapter, the Secondary Market may be subdivided into four markets, namely, the Parallel Market, the Regular Market, Bond Market and Legal Transfers. Since its establishment in 1978, the number of companies have almost doubled.⁽¹¹⁾

Majority of these companies listed at the Amman Stock Market are traded in the Regular Market. As indicated in table 5.10, the industrial sector generally is the most active one followed by the banking and financial sector. The number of shares traded have risen from 2.5 million to 134.4 million at the Regular Market during 1978-90.

As shown in the following table, the value of shares traded has also risen dramatically in the Regular Market from JD 5.6 million in 1978 to JD 266.4 million in 1990, rising at an annual compound growth rate of 34.5%. The Regular Market has witnessed distinguished growth in the value traded at the Secondary Market with the Market operations achieving record high of JD 365.2 million in 1989. In terms of percentage share of the total value traded in the Secondary Market, the Regular Market witnessed a distinguished growth from 58.3% of the total in 1978 to 91.9% in 1990.

Trading rules of the Parallel Market are similar to those of the Regular Market. The Parallel Market offers the newly established companies an opportunity to trade their shares in an orderly manner with the objective of offering trading opportunities to the companies "waiting to be formerly listed". The value of shares amounted to JD 16 million at the end of the first year of its establishment that is 1982, but its value declined

to JD 2.5 million in 1990, thus reflecting the preference of the companies to commence full fledged trade activities in the market only after formal listing at the Regular Market is done. There was a decline of 18.6% in the value of shares traded at the Parallel Market during 1982-90.

The Secondary Market also serves the purpose of legal transfers. This legal Department at the Amman Stock Market is responsible for the sales of unlisted companies, transactions from abroad as well as transfers within families. The value of legal transfers has risen from JD 4 million in 1978 to JD 17.8 million in 1990 at an annual compound growth rate of 12.1%.

Trade in bonds and bills at the Bond Market has been generally slow over the past 13 years of the study period. The volume of bonds traded has fluctuated from JD 0.8 million in 1978 to JD 3.6 million in 1985 to JD 22.2 million in 1989, exhibiting the compound growth rate of 11.9% annually. By 1990 bonds represented merely 1.1% of the total value traded at the Secondary Market.

Table 5.10
Value Traded in the secondary market during 1978-90

Year	Banks & Finance Companies	Insurance	Services	Industrial	All Sectors
1978	5.6 (58.3)	- -	4.0 (41.7)	- -	9.6 (100.00)
1979	15.8 (77.5)	- -	3.8 (18.6)	0.8 (3.9)	20.4 (100.00)
1980	41.4 (83.1)	- -	6.7 (13.5)	1.7 (3.4)	49.8 (100.00)
1981	75.4 (89.4)	- -	6.6 (7.8)	2.3 (2.8)	84.3 (100.00)
1982	112.3 (80.3)	16.0 (11.4)	9.6 (6.9)	1.9 (1.4)	139.8 (100.00)
1983	119.6 (76.9)	21.8 (14.0)	13.5 (8.7)	0.6 (0.4)	155.5 (100.00)
1984	53.1 (76.6)	6.2 (8.9)	8.3 (12.0)	1.7 (2.5)	69.3 (100.00)
1985	64.3 (75.9)	2.4 (2.8)	14.4 (17.0)	3.6 (4.3)	84.7 (100.00)
1986	64.8 (66.1)	4.7 (4.8)	26.1 (26.6)	2.5 (2.5)	98.1 (100.00)
1987	142.6 (85.3)	5.6 (3.3)	18.0 (10.8)	1.0 (0.6)	167.2 (100.00)
1988	127.0 (74.1)	5.6 (3.3)	22.2 (12.9)	16.6 (9.7)	171.5 (100.00)
1989	365.2 (65.8)	2.3 (0.4)	164.9 (29.7)	22.2 (4.1)	554.6 (100.00)
1990	266.4 (91.9)	2.5 (0.9)	17.8 (6.1)	3.1 (1.1)	289.8 (100.00)
1978-85	35.6	(1982-90)	17.3	23.9	31.2
1986-90	32.6	-18.6	-7.3	4.3	24.1
1978-90	34.5	10.3	12.1	11.9	29.9

Source : 1. Amman Stock Market (1978-90) 1991 pp. 19.
 2. Trading started at the parallel market Feb. 20, 1982.
 3. Bonds trading started in 1979 (development and corporate).
 Figure in the parenthesis indicate percentage

5.4.3 The Value of Shares Traded in the Primary and Secondary Markets :

After having identified the role of each component of the Primary and Secondary Market, that is, Parallel Market, Regular Market, Bond Market and legal transfers the following table 5.11 gives us adequate information with regard to the total value of securities traded on the market floor between 1978-90.

As described earlier, the Parallel Market got evolved in 1982, trade being distributed between the organized (Regular) market, legal transfers and bonds subsequently before that.

Statistics with respect to the volume of issues in both the Primary and Secondary Markets during the years 1978-90 reveal the important role of the Amman Stock Market, and thereby also the role of the companies unlisted under it as well as the new publicly held companies which have contributed significantly towards the overall development of the country.

On analysing the total value of new issues in both the Primary Market and Secondary Market, figures of 1978 reveal that the Primary Market was able to attract 69.3% of the grand total of the total volume of both the markets whereas the Secondary Market occupied a percentage of 30.4% of the total. By 1985, the Primary Market could attract only 31.6% of the total value of shares traded on the market floor as compared to 68.4% of the total value by the Secondary Market. This was subsequently channeled into various economic projects.

A tremendous growth rate was witnessed by 1987 due to the continuous government support, and protection from foreign competition along with finding an international market for their goods. The supremacy of the secondary market with respect to the total value of shares is evident on observing figures of 1990 which reveals that the secondary market occupied 88.3% of the total in comparison to a mere 11.7% by the Primary Market. The compound growth rate of the value occupied by both the markets also reveals figures of 4.4% and 29.8% annually between 1978 and 1990.

Figures of 1989 show huge improvements in both the markets, the total value of shares occupying a record high of JD 595.2 million. This year, evening sessions were initiated in the market every Tuesday and Wednesday which helped in increasing the volume of trade at the market as well as providing a larger opportunity to the citizen to participate in the investment operations of the Amman Stock Market. Lowering of value by 44.8%, over the value of the previous year indicates a number of causative factors along with internal disturbances arising as the gulf crisis over whelmed the world. In spite of this, the government was not very far behind in setting up newer economic reforms to increase the overall growth rate in the market and reduce the budget and balance of payment deficit.

Table 5.11**The total volume in both primary and secondary markets during (1978-90).**

Year	Total value of primary market new issues	Total value of secondary market	Grant total of both (primary and secondary market)
1978	21.9 (69.3)	9.7 (30.7)	31.6 (100.00)
1979	32.9 (61.6)	20.5 (38.4)	53.4 (100.00)
1980	62.8 (55.8)	49.8 (44.2)	112.6 (100.00)
1981	88.5 (51.2)	84.3 (48.8)	172.8 (100.00)
1982	128.3 (47.9)	139.8 (52.1)	268.1 (100.00)
1983	93.9 (37.7)	155.5 (62.3)	249.4 (100.00)
1984	38.8 (35.9)	69.3 (64.1)	108.1 (100.00)
1985	39.2 (31.6)	84.8 (68.4)	124.0 (100.00)
1986	45.9 (31.9)	98.1 (68.1)	144.0 (100.00)
1987	59.2 (26.1)	167.2 (73.9)	226.4 (100.00)
1988	33.7 (16.4)	171.5 (83.6)	205.2 (100.00)
1989	40.6 (6.8)	554.6 (93.2)	595.2 (100.00)
1990	38.5 (11.7)	289.8 (88.3)	328.3 (100.00)
Compound growth rate (Percent per annum)			
1978-85	7.5	31.1	18.6
1986-90	-3.4	24.1	17.9
1978-90	4.4	29.8	19.7

Source : (1) Amman Stock Market Statistics (1978-90) 1991 pp. 64
 Figures in parenthesis indicate percentage

5.5 MARKET CAPITALIZATION OF THE INDUSTRIAL SECTOR IN COMPARISON TO OTHER SECTORS AT THE AMMAN STOCK MARKET

The major companies listed in the Amman Stock Market are traded in the Regular Market which acts as a legal market. Equity shares are generally traded in the Regular Market. Over the years the number and total volume of shares traded have shown a major increase due to an upliftment in the market capitalization.

As such market capitalization may be defined as the number of shares of a specified class in issue multiplied by the current share price of companies. Market capitalization gives us an accurate account and volume of shares traded on the floor of the market.⁽¹²⁾

Table 5.12 gives an account of the total capitalization of the various sectors of the economy listed at the Regular Market particularly the industrial sector between 1980 and 1990. Registered capitalization has expanded over the years with more and more companies opting for enlistment in the market in order to conduct trading activities.

On critical analysis of the role of the Amman Stock Market during the period of 1980-90, it can be well interpreted from the given table that the value of shares occupied by the banking sector and finance companies was the highest, its overall share soaring from JD 124.4 million in 1980 to JD 729.4 million in 1990 at an annual growth rate of 14.5%. Its share of the total market capital was also the highest rising from 43.5% to 56.9% during 1980-90. A decline in the market value of shares owned by the banking sector subsequently improved its position by the end of 1988, thus overcoming the

economic recession which was also faced by many countries of the world. The market capitalization of the Regular Market as such was not very severely affected.

The industrial sector occupied 42.6% of the total value of shares in 1980 which declined to 34.9% by the end of 1990. Value of shares occupied by the industrial sector grew from JD 122 million to JD 447.3 million between 1980 and 1990 thus registering an annual compound growth rate of 10.5%. This sector was followed by the service sector which grew by 6.5% annually.

The after effects of the gulf crisis that overwhelmed many economies in the world were also seen in terms of the capitalization of the market which declined by 8.5% in 1990 over the previous years.

Table 5.12

Market Capitalization of the Industrial Sector in comparison to other sectors at the Amman Stock Market during 1978-90.

Year	Banks & Finance Companies	Insurance	Services	Industrial	All Sectors
1978	124.4 (43.5)	11.0 (3.8)	28.7 (10.1)	122.0 (42.6)	286.1 (100.00)
1979	176.2 (39.0)	11.6 (2.6)	28.8 (6.3)	235.7 (52.1)	452.3 (100.00)
1980	229.9 (46.4)	12.1 (2.4)	33.6 (6.8)	219.9 (44.4)	495.5 (100.00)
1981	413.3 (49.5)	26.1 (3.1)	45.9 (5.6)	349.2 (41.8)	834.5 (100.00)
1982	461.8 (46.7)	42.0 (4.2)	59.5 (6.0)	425.0 (43.1)	988.3 (100.00)
1983	505.8 (50.2)	35.6 (3.5)	55.6 (5.5)	411.2 (40.8)	1008.2 (100.00)
1984	422.8 (47.7)	31.7 (3.6)	50.9 (5.7)	380.6 (43.0)	886.0 (100.00)
1985	548.9 (60.8)	31.4 (3.5)	45.6 (5.1)	276.6 (30.6)	902.5 (100.00)
1986	484.1 (55.2)	29.5 (3.4)	49.6 (5.7)	314.0 (35.7)	877.2 (100.00)
1987	454.9 (49.7)	39.1 (4.3)	59.5 (6.5)	362.3 (39.5)	915.8 (100.00)
1988	511.9 (47.2)	37.3 (3.4)	71.0 (6.5)	465.4 (42.9)	1085.6 (100.00)
1989	677.8 (48.4)	41.2 (3.0)	88.7 (6.3)	592.7 (42.3)	1400.4 (100.00)
1990	729.4 (56.9)	39.4 (3.1)	65.1 (5.1)	447.3 (34.9)	1281.2 (100.00)
1978-85	20.3	14.0	5.9	10.7	15.4
1986-90	8.54	5.9	5.5	7.3	7.8
1978-90	14.5	10.3	6.5	10.5	12.2

Source : Amman Financial Market Annual Reports (1978-90).

Figure in parenthesis indicate percentage

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