

Awareness of Investors in Phantom Bourses: Financial Sources vs. Investment Results

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ABSTRACT: *At the end of the past decade, Jordan witnessed a financial crisis, where the fake investment companies collected large amount of money from depositors by offering high monthly return reached to 25%. However, the phantom companies were fake companies and had no investments. So they depend on the deposited capital of those started early with them to give the return to the current and potential depositors. After the interaction of the problem, some of the managers of phantom companies were left the country and some of them were arrested.*

The current study aims to identify the awareness of investors in phantom bourses 60 questionnaires was distributed to a sample of investors in the phantom bourses. Data collected were analyzed by using SPSS. Results showed that the higher expected return was the main factor that encouraged investing in phantom bourse, and the main sources of the fund that used in phantom bourses are savings and selling their properties. The results also indicated that the bourses are fake and most of the investors have lost all their money. One application of the study is that to present some idea to the investors about their rights and obligations by holding specialized training courses in investment, also increasing investment awareness among members of the community.

Keywords: *Phantom Bourse, Fake Companies, Investor Awareness, Jordan Companies.*

I. INTRODUCTION

Started in 2008, Jordan witnesses the worst financial crisis in its history. The phantom bourses have taken the form of official offices and distributed in all the 12 Jordanian governorates. The main mission of these fake companies was to collect the money from the depositors against a predetermined rate of return. So, these companies have tried to take the role of banks in acceptance the savings against periodic return. To achieve their role, phantom companies offered a monthly return reached to 25%. In comparison with that of bankers, this rate of return was very high and almost exceeds the return of any other investment. It is very profitable, to have such return without any effort. Accordingly, any person have some surplus fund responded to the promotions of such companies and have deposited his money; hopefully he will earn the contracted return. The high return encouraged many other persons to direct their investments to these companies and most of people tried to offer the necessary fund depending on one or some of the following resources:

1. Surplus fund
2. Commercial banks loans
3. Islamic banks loans
4. Properties selling
5. Friends and relatives loans
6. Others.

The process of collection funds from people took some months. This period gave the depositors the necessary trust that such companies demand. After collection billions of Jordan dinars, the phantom companies stop paying any return to the depositors. In this point of time the return took the following forms:

1. Some people, who started early with phantom companies, have earned his deposited capital through the contracted high return and this group are very few.
2. Most people lost some of their capital, as they worked with phantom companies for only few months and earned the contracted return for some months.
3. Others lost all their capital as they earned no return.

However, the phantom companies were fake companies and had no investments. So they depend on the deposited capital of those started early with them to give the return to the current and potential depositors. After the interaction of the problem, some of the managers of phantom companies were left the country and some of them were arrested. In respect to the affected persons, they suffer many financial and social problems and most of them sought Jordanian courts to return their money back. The phantom bourse case is now in Jordanian courts, which face many problems as most of funds are still in the hand of fakers. Small portion of the fund was collected and distributed to the affected persons; with no one return back his entire fund.

The motivation of the current study is that only the media has shed some light on the bourses crisis and has ignored from the academics. In particular, to the best of my knowledge, this is the first academic study to investigate the phantom bourses. In addition, the phantom crisis in general suffers limitation in previous studies. Thus, the current study will contribute to the knowledge in this field. Furthermore, the effect of phantom crisis on Jordan, as a developing country, economic was huge, as it has limited resources. Accordingly, the current study tries to assess the different issue surrounding the bourses crisis.

Against the above introduction, the current study comes to achieve the following objectives:

1. To identify the main reasons that encouraged the people to invest in phantom bourses.
2. To identify the main sources of investment in phantom bourses.
3. To identify the financial and economic results of phantom bourses,
4. To identify the nature of the relationship between the factors that encourages the investment decision in phantom bourses and the financial and economic results of the investment decision.

Study questions:

1. There are specific factors affect the investment decision in phantom bourses.
2. There are specific sources to finance the investment in phantom bourses.
3. There is a significant relationship between the investment decision on phantom bourses and the financial and economic results of investment in phantom bourses.

II. METHODS AND DISCUSSION

The crisis of phantom markets has taken place in Jordan and has left miserable effects on the different sectors in Jordan. The main effected part in Jordan was the citizen in different regions of Jordan. The miserable effects were centered mainly in the governance that located far away from the capital. Accordingly, the current study surveyed those people who located at Tafila governance in south of Jordan. However, questionnaires were distributed to those persons who invested in phantom bourses. The process of distribution and collection of the questionnaires took about one week. The reliability of the questionnaire was ensured. Many amendments have been done on the questionnaire to reach the current form. The questionnaire contains four sections. The first section includes the demographic characteristics of the respondents. The second section focuses on the factors that encourage peoples to take the investment decision in phantom bourses. Section three focuses on the main sources that used to finance the investment in phantom bourses. The last section tries to identify the financial and economic results of the investment in phantom markets. All the questions of the questionnaire are self-formulated. The sample of the study was random, so the collected data represents fairly the population of the study. However, table 1 shows the demographic characteristics of the responses.

Table 1: Respondents' characteristics

Gender	NO	%
Male	47	78.3
Female	13	21.7
<i>Total</i>	<i>60</i>	<i>100</i>
Qualification		
Bachelor	24	40.0
Diploma	10	16.7
Secondary certificate	14	23.3
Below secondary certificate	12	20.0
<i>Total</i>	<i>60</i>	<i>100</i>
Workplace		
Public	39	65.0
Private	4	6.7
Free	8	13.3
Without	9	15.0
<i>Total</i>	<i>60</i>	<i>100</i>
Age		
less than 20	1	1.7
20-30	15	25.0
31-40	21	35.0
41-50	15	25.0
51-60	8	13.3
<i>Total</i>	<i>60</i>	<i>100</i>
income		
less than 400	31	51.7
400-800	25	41.7
801-1200	3	5.0
more than 1200	1	1.7
<i>Total</i>	<i>60</i>	<i>100</i>

The current study is almost taken the descriptive form. However, the study firstly focused on the main factors that effect the decision of respondents to invest in phantom bourses. Table 2 shows the descriptive statistics in terms of the means and the standard deviation of the different factors. In particular, Table 2 shows that the main factors that encourage the people to invest in phantom bourse are that the high return that the investors expect. The next three important factors are the imitates of other investors, imitates of other investors and encouragement by friends and relatives. These results indicated that investors did not depend on their own decision. But, they just tried to imitate others. These three factors are interrelated and give an indicator that the phantom bourses managements did their best to promote these bourses. However, the Islamic permission has also its effect on the investors' decision to have with phantom markets. The other factors are almost form similar effect on the decision of the investors as shown in Table 2

Table 2: Factors affect the investment decision in bourses

Factor	Mean	Std. Deviation
High return	4.3500	.9356
Low risk	3.8333	1.0762
No investment alternatives available	3.5833	1.1973
The best choice	3.7167	1.0266
Imitation friends, relatives and neighbors	4.0167	1.0495
Islamic permission (Fatwa)	3.8833	1.4153
Imitation other investors	4.1500	1.0708
Having surplus fund	2.7667	1.3323
My confidence in bourses	3.5167	1.1273
Encouragement by bourses' managers	3.5333	1.1567
Encouragement by friends and relatives	4.0833	.9793

Despite that Jordan as a country suffer limitation in the resources and consequently the people as a whole considered from those having limited income in the Middle East as most of them employed by the public sectors and earned limited monthly income. The important question is that what are the main resources of such fund?

Table 3 shows the main sources of fund invested in phantom bourses. The main source of saved fund is the personal savings. This means that the investors depend firstly on their savings that they keep these for other objectives other than the investments in phantom bourses. This also indicated that some investor's withdrawal their saving form banks and transferred them to these markets. The second main source of the fund that used in bourses investments is that some investors go and sell their properties to finance their investment. This is the main important that created the crisis lately, as they lost their own properties, which is considered miserable. Credit facilities from banks occupied the third importance of the phantom money sources. These also give indicators that the investors have been sold their own properties and then directed their efforts to get loans from banks which increased the financial burden. Transferring other investments to phantom markets and Loans from friends and relatives are ranked fourth and fifth respectively.

The above mentioned result contracture the economic investment principle as the people did not depend on their income to invest but they exceed that to hold additional financial obligations. In particular, the investors did not depend on their accumulated savings, which must be used later in investment. In contrast they take big portion of money that should be used in consumption, which decrease their routine life. This is clear in table 3 as the personal savings for the mean source with a mean of (3.633).

Table 3: sources of fund invested in Phantom bourses

Sources	Mean	Std. Deviation
Personal savings	3.6333	1.4610
Credit facilities from banks	2.1833	1.3715
Islamic banking loans	1.8167	1.0969
Selling some properties	2.5667	1.5770
Loans from friends and relatives	2.0167	1.2418
Transferring other investments to phantom markets	2.0500	1.2944

After some time, the bourses companies give no attention to the investors and the transferring of the contracted return is stopped. This, however, affect the investors and the country negatively. Thus, a new term

has been appeared in Jordan for the first time which is “bourses crisis”. This part of the paper focuses on the financial and economic results of the investment in phantom bourses. Table 4 shows the ranks of the different results. Loosing invested capital is the main economic results. This result indicated that the bourses are fake and most of the investors have lost all their money. That is, they took no return on their investment and have also lost their principles. Some investors who invested early in the phantom bourses has improved their personnel income as the phantom bourse used to pay high return to theses who started early with them in order to encourage others. Creasing their personnel expenditures ranked third in the economic results. This result means that investors are fully believe in these companies and have increased their expenditures depending on the expected return, which was contracted on with the managers of phantom bourses. In addition, some investors have lost part of their investments. This, however, support the division of the return to three types. That is, those who lost some of their part of their investments were those who started their investing in a midpoint of the age of the phantom bourses. Hold additional financial expenditure to return back principles and return comes fifth in the economic results.

The above mentioned results are important indicators on the size of the problem that taken place in Jordan.

Table 4: Financial and economic results to phantom bourses

Results	Mean	Std. Deviation
Improving the personnel income.	3.4500	1.2133
Increasing personnel expenditures.	3.4000	1.3174
Quit the work.	1.7667	.9273
Losing full invested capital.	3.4667	1.4198
Losing part invested capital.	3.3833	1.3415
Losing nothing from invested capital.	1.8667	.9994
Obtained the contracted return in regular basis.	2.8667	1.4435
Obtained the contracted return in irregular basis.	2.7167	1.3031
Obtained nothing from the contracted return.	2.8667	1.3588
Losing other investment.	2.1167	1.2500
Debt obligation increased toward the suppliers.	2.6833	1.4900
Losing big part of properties to meet debt.	2.6833	1.4081
Obligation increased toward the suppliers.	3.0833	1.5436
Hold additional financial expenditure to return back principal and return.	3.0833	1.5436

III. RECOMMENDATIONS

According to the previous results the study recommend with:-

- Educate those who wish investing by holding specialized training courses in investment.
- Spreading the culture and knowledge of investment and increase investment awareness among members of the community.
- Promote the transparency in the investment and not to deal with illegal intermediaries.
- Further studies in this area to study the dimensions and other variables.

IV. CONCLUSION

At the end of the past decade, Jordan witnessed a financial crisis, where the fake investment companies collected large amount of money from depositors by offering high monthly return reached to 25%. However, the phantom companies were fake companies and had no investments. So they depend on the deposited capital of those started early with them to give the return to the current and potential depositors. After the interaction of the problem, some of the managers of phantom companies were left the country and some of them were arrested.

This study was designed to investigate the awareness of investors in phantom bourses 60 questionnaire was distributed to a sample of investors in the phantom bourses. Data collected were analyzed by using SPSS.

The results show that the most factors that influence on investment decision in phantom bourses are high return, imitate of other investors, and encouragement by friends and relatives. Regard to the sources of financing, the study show that the personal savings, and selling some properties, are a main source of financing the phantom bourses. The results also show that the phantom bourses affected negatively on the investor's economic and financial conditions. One application of the study is that to present some idea to the investors about their rights and obligations by holding specialized training courses in investment, also increasing investment awareness among members of the community.

The main limitation of the current study is that there were no previous studies in this area, especially in the Middle East. But researcher revision some studies about this topic (e.g. Nan Hu et al, 2013; Baklaci et al, 2011; Khwaja, 2003; Guseinov, 2000). However, another comprehensive study in this area is required using more complicated analysis.

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