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Research Article

The Causal Relationship between Returned Cheques and Economic Prosperity in Jordan

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ABSTRACT

The study aimed to determine the relationship between returned cheques, GDP, bank credit and public spending in Jordan during 2000-2021. The research developed the econometric model using the ARDL for co-integration. The study found several outcomes: returned cheques have a strong positive impact on GDP in the short term, the public spending has short-term positive effect on returned cheques, and bank credit negatively affects returned cheques in Jordan. The granger causality test proves causal relationships from bank credit to public spending and from the returned cheques to the GDP in Jordan. Finally, it found that returned cheques affected economic growth in the long term. The long-term effect of public spending, bank credit, and GDP on returned cheques not proved. The study presents that returned cheques as a financial phenomenon and must purely resolved under economic perspective rather than the legislative and legal view.

Key Words: Returned Cheques, Economic Growth, Fiscal Policy, Monetary Policy, Jordan.

1. Introduction :

The cheque paper first emerged in the early 11th century by Iranian backpacker Nasir-i Khosrau in Basra, Iraq. It recorded one form of payment known as the cheque as a written order from a merchant to his bank to m and make a payment from his account (Quinn & Roberds, 2007). The use of cheques in the eastern Mediterranean in the Islamic World area began in the first millennium (Ashtor, 1972). The European monetary systems were primitive and traditional and had few credible value currencies and a low number of banks and cheques (Usher 1934, Spufford 1988).

During the crusade, Europeans increasingly contacted Muslims and benefited from their banking and monetary systems in the eastern Mediterranean region. In the 13th century, the first forms of banks appeared in Barcelona, Florence, Genea, and Venice to facilitate payments between local merchants and grant credit. The payment systems have evolved from written into oral forms (Mueller, 1997).

The accelerating economic and commercial life has doubled the number of commercial and Islamic banks worldwide. As a result, the rates of trade and financial transactions have worsened in the economy. The emergence of banks coincided with the emergence of bank checks, which became one of the most common and used securities in various businesses (Basak & Wulf, 2015). The evolution of the functions, forms, and types of banking cheques in the modern business environment heavily depends on the modernization of banking functions. It depends also on the diversity of activities and tasks of these checks in the economy, compared to other commercial papers such as bills of exchange and promissory notes. In modern economies, cheques are increasingly dependent on banking business practices, and returned "Bounced" cheques are one of the phenomena in such an environment (Erdem & Tugcu, 2015).

Over time, they became an urgent economic problem, burning the financial, economic, and legislative communities and threatening economic and social security in the country. The discussions among economists, bankers, businesses, and creditors continue to be about the nature of the handling of these securities and their foundations, the effectiveness as a tool for debt fulfillment, the payment of obligations, the settlement of

financial and commercial transactions, and their consideration as a component in financial system (Quinn & Roberds, 2003).

2. Research Statement:

The increasing use of returned cheques in Jordan's economy as a credit tool because of the critical conditions afflicting the local economy and the decline in trade movement. Many households, retailers, wholesalers, and businessmen; have no sufficient income to fulfill their obligations. The alternative way is using the cheque to their purchasing operations and meet basic needs. The unemployment rate reached 22.3% for 2023, the lack of jobs clearly, and the average wage of social security figures decreased to J.D 271 (Social Security Corporation, 2023), and the per capita income reached $3995 in 2023 (Central Bank of Jordan, 2023). This situation has caused further pressure on the cheque paper and is no longer a sufficient tool to keep money value. It is becoming subject to continued refusal by banks, has lost part of its credit eligibility, and has decreased its role in the business cycle.

In 2021, the Jordanian legislator gave the cheque-paper sufficient immunity in commercial transactions with needed privacy as an alternative tool to money. The Jordanian government has adopted several procedures to protect borrowers unable to pay. During the coronavirus pandemic, the government decided to Imprisonment of the debtor. Information indicates that 158 thousand debt defaulters, including 68% with debts of less than J.D 5 thousand and 87% with less than J.D 20 thousand (Central Bank of Jordan, 2021). The figures show that 800 thousand borrowers from commercial banks until 2024. There are 31 thousand accused of returning cheques for insufficient balance, so the amount of the returned cheques increased to J.D 1240 million for 2021 and accounts for 84.4% of insufficient balance cheques.

Totally the economic conditions negatively impacted returned cheques, and pressures on society and the economy have increased. The coronavirus pandemic and its repercussions have overshadowed the living and economic indicators since the pandemic ended despite the new parliament and Cabinet. The negative economic repercussions remain present, and the traditional approach, programs, policies, and practices heavily pressured economic growth and welfare. There is a weakness in national income indicators. The standard of living declined, so the returned cheques became one of these repercussions. As a result, many people were unable to fulfill their obligations, and the relationship between returned cheques and bad economic conditions proved. The anxiety and pessimistic discussion among economists increased. They consider it a negative indicator of the economic situation. Despite the Governmental intervention to take the necessary financial measures, these cheques were increasing in the economy. In light of the above, returned cheques are a complex financial and legal phenomenon with economic causes.

3. The Research Significance :

A) A lack of studies has linked returned to macroeconomic indicators. This study views the returned cheques as a reason for economic growth in Jordan.

B) 2) The importance of returned cheques as a financial phenomenon affecting traders, entrepreneurs, and households has its roots and legal consequences.

4. Literature Review :

1.4 Definition of Returned Cheques:

The cheque is a written paper by the requirements of the law, which includes a paying order issued by a person to another (the withdrawn person) known as the third person, or cheque holder, or the beneficiary with a certain amount of money (Capie & Alan, 1985). A cheque is a tool of fulfillment and obligation to rights, so fulfillment is an important function of cheques. It is an alternative tool of money and the duty to pay once it is issued (Al-Oukda,2011). The debtor issuing a cheque is considered a fulfillment of the debt. The cheque thus satisfies financial rights and obligations whenever it moves from one person to another (Jordanian Trade Act No. 12 of 1966). However, Military Ordinance No. 889 of 1981 and amendments to article 228 of the Jordanian Trade Act No. 12 of 1996 stipulate that the cheque is payable on its date, not upon consultation, thereby making it fulfilling its function; Related to the Implementation of the Fact Drawn (Brennan, 2008).

The cheque as a commercial paper plays several functions in the economy, the most important of which are fulfillment and credit (Abad, 2012). Its primary function is to be the tool of fulfillment and the commercial laws and legislations added the credit function (Al-Husseini, 2011). The original cheque is a tool to withdraw bank deposits and settle payments between individuals and debt repayment (Al-Zahrani, 2003). It is a tool that can achieve macroeconomic objectives and promote banking growth (Al-Husseini, 2011). The cheque can reduce the money turnover rate in the economy and avoid the risks of carrying and moving money, especially since cash decreases in daily transactions (Calomiris & Joseph, 2006).

The Central Bank of Jordan and the commercial banks in Jordan have developed traditional payment methods based on paper bases into high technological tools. Commercial banks are developing economic life and making the cheque a crucial role and alternative money-saving tool in transactions. The cheque played a role in banking operations, being used as a deposit withdrawal tool and performing foreign exchange contracts (Al-

Husseini, 2011). The cheque is one of the most widely used commercial papers due to the legal protection benefits it provides to its clients (Al-Shamri, 2012). The Central Bank of Jordan has developed technical and security specifications on cheques to reduce forgery, facilitate their detection by bank staff, increase the effectiveness of cheque exchanges by standardizing data resources, and increase trust in the banking system and payment methods (Central Bank of Jordan, Payment Systems, 2023).
The literature asserts that returned cheques lose legal coverage for several reasons such as forged signature, poor or erroneous wording, and there may be technical errors relating to the writing and obsolescence of the cheque's date. There are also several reasons for the inadequacy of the balance, closing the account, the discrepancy from numbering, or the difference or lack of signature of any modifications to the cheque. We also add the withdrawal of the cheque in another currency not written on the cheque, and the no attach the legal mandate (Al-Marcotton, 2011). In some countries, the laws say the unlawfulness of cheque-clearing without sufficient balance or postponing payment due (Al-Marcotton, 2016). These cheques caused many economic and social impacts on creditors and the business cycle. It generates a sense of distrust and credibility in banking transactions and is considered dirty cheques in the economy in "Dishonored Cheques" (Erdem and Tugcu, 2015).

2.4 The Economic Significance of Returned Cheques :

Returned cheques, especially those referring to insufficient funds; are a global phenomenon, not limited to a state, and they vary among countries by the circumstances of each (Ja'abari, 2016). The reasons that caused returned cheques in Jordan are similar to countries worldwide. Many customers do not know the nature of such cheques. The cheque left its primary function as a fulfillment tool and became a security and credit tool only (Al-Zahrani, 2003). We also add that the credit facilities by banks and free issuing cheques- books without a sufficient fund or feasibility of the customer. Finally full knowledge of cheque issuers about the litigation procedure in courts (Al-Marcotton, 2016).
Over time, returned cheques became a financial influencer on banks and the household sector. The returned cheques retain future financial values until payment, so their amount affects the economy, sluggish growth, and investment. Jordan suffers from the problem of returned cheques, which have many repercussions. To decrease the number of returned cheques, the Central Bank of Jordan implemented an automated rating system and provided a comprehensive database "black-list" of returned cheque owners to correct the credit decisions by banks toward such customers (Abad, 2012, p. 212). Returned cheques are evidence of the bad ethics and practices in financial transactions and banking systems (Azar, Elfakhani & Abdallah, 2017).
The literature confirms a negative correlation between returned cheques and economic growth. It considers that bad ethics negatively affect economic growth (Erdem & Tugcu, 2015). Some existing legislation considers returned cheques a crime because it decline the positive expectations in the state. A famous argument considers penalties on cheque issuer's type of (negative) incentives on their obligations (Babaoglu & Wulf, 2015). Returned cheques are a weak alternative to borrowing money and cause a lack of funds in the economy if payments moved to the future (Azar, Elfakhani & Abdallah, 2017). Cheques are easy to use, for verifications compared to other payment methods, to create trust and reduce financial risk to businesses and banks (Hacievliyagil & Eksi, 2019), so they are concentrated on local transactions and rich customers (Fusaro & Ericson, 2010).
Experience shows that countries facing political and economic problems have decriminalized bad cheques (Ghasemi, 2015). It argues that writing bad cheques should be punishable to achieve fairness, trust, and equity among the public. These procedures can reduce the opportunity cost and promote economic stability in society (Demir 2013). However, placing cheque issuers in prison may be more expensive for society (Brennan, 2008). Proponents of this attitude argue that the returned cheques are an economic crime subject to legislation and laws (Zyadat & Al-Nsour, 2021). Therefore, imprisonment is counterproductive to the debtor, deprived of work and therefore requires a period to pay the debt, and some families may lose social security and face serious social problems (Levitt & Miles 2007; Domínguez et al. 2015; Feess 2015).
Finally, the Keynesian theory says that public spending leads to economic growth (Tang, 2009). The Keynesian School considers proactive fiscal policy a tool for accelerating economic development (Shafuda & De, 2020). Keynesian theory argues that public spending stimulates economic expansion (Al-Nsour, 2023; Loizides & Vamvoukas, 2005). Solo's neoclassical growth model (1996) considers that public spending does not affect long-term economic growth, and fiscal policy does not change GDP in the long term. In 1989, Paro showed that public spending negatively correlated to economic growth. The empirical evidence shows that the relationship between the banking sector and economic growth is not proven. The literature confirms that financial development is power and causes industrial development in the USA, the UK, Canada, Norway, and Sweden (Elijah & Hamza, 2019). In 2023, the impact of commercial banking credit on economic activity in Mexico's manufacturing sector emerged (Al-Nsour et al., 2023; Rodríguez & Chávez, 2023). In emerging markets, growth in banking credit positively affects real GDP growth (Rodriguez & Chávez, 2023; Thierry et al., 2016;.Elizabeth, 2020, Garcia-Escribano & Han,2015;Duican & Popa,2015;.Krishnankutty, 2011). From above, the research hypothesis:

- ***Ho: There is a Causal Relationship between Returned Cheques and Economic Prosperity in Jordan.***

5. Measurement :

1.5Econometric Model :

This study relies on the test of research hypothesis. The hypothesis says the positive correlation between the returned cheques and financial prosperity (bank credit to the private sector, public spending, GPD) and returned cheques. The financial prosperity includes fiscal policy and monetary policy, and gross domestic product (GDP). The econometric model are used to test the hypothesis based on theoretical and applied literature. RC refers to Returned Cheques. GDP is economic growth by GDP at constant market prices. BR is net bank credit to the private sector. PE is public spending. The time series from 2000-2021.

$RC_t = \propto_0 + \propto_1 GDP_t + \propto_2 BR_t + \propto_3 PE_t + \in \cdots 1$

2.5 Research Methodology:

ARDL method to test co-integration regardless of whether the studied variables are co-integrated from level (0) or level (1). In other words, this methodology is used when the co-integration rank is unknown and not unified for all study variables. The results may be acceptable in the case of small samples, unlike most traditional co-integration tests requiring large samples. This methodology creates short-term and long-term relationships in one rather than two separate equations (Ramirez, 2012).

6. Research Data Test:

1.6 Structural Stationary Test:

The test - Dickey Fuller Unit Root Test - aims to examine stability (persistence) in study variables. This test is not a requirement for the application of ARDL methodology. But if some variables are stable at the second difference (2) I), the study model does not work accurately. The ARDL application avoids obtaining unreal results. The null hypothesis says that the variable has a unit root, whereas the alternative hypothesis is that the variable has no unit root. Table 1 indicates test results using ADF, and all variables are constant at the first difference using the Intercept and trend, so the null hypothesis is rejected. The unit root was stationary at the first difference (1) and statistically at significant levels of 5% and 10%.

Table (1) Augmented Dickey-Fuller Test

Variable	Level			1ST Difference		
	Value	Pro.	Decision	Value	Pro.	Decision
RC	-2.099952	0.2466	Not Stationary	-5.489126	0.0004	Stationary
BC	-1.704519	0.9992	Not Stationary	-2.704813	0.0096	Stationary
PE	-0.224967	0.9209	Not Stationary	-5.504241	0.0003	Stationary
GDP	-0.959366	0.7479	Not Stationary	-4.264808	0.0038	Stationary

2.6 Bounds Test for Long-Term Co-Integration:

ARDL Bounds test is used regardless of whether the model variables (0) 1 or (1) 1. Table 3 contains the critical values of the F statistic of the research variables. ARDL indicates the presence of intercept and trend of the study variables. ARDL Bounds test has two sets of critical values. The table show that bound (1) 1 refers to the critical upper Bounds assuming that all variables are (1) 1 (Pearson, 2007). Bounds test indicates that the calculated F value (6.005) is more than p-values in the model (1%, 5% and 10%). It means rejecting the hypothesis says no co-integration among variables. So, the alternative hypothesis accepted and co-integration relationship among variables proved. Co-integration involves a long-term relationship between returned cheques, with economic growth, bank credit, and public spending.

Table (2) ARDL Bounds Test

Null Hypothesis: No levels relationship			F-Bounds Test		Statistical Decision
I(1)	I(0)	Signif.	Value	Test Statistic	There is a co - integration of model variables at all significance levels of 1%, 2.5%, 5% and 10%
	Asymptotic: n=1000				
3.2	2.37	10%	6.005076	F-statistic	
3.67	2.79	5%	3	k	
4.08	3.15	2.5%			
4.66	3.65	1%			

3.6 Johansen's Cointegration Test:

The test aims to determine the co-integration among variables in the econometric models. The λ - trace and maximum value λ -max illustrate the co-integration among variables. The null hypothesis says that one or more of the directional variables in the econometric model. Table 4 shows that the λ-trace value of the model (46.7) is greater than the critical value at level 0.05 (42.91). Therefore, the alternative hypothesis is accepted. The λ-trace value of the model illustrates at least one relationship between variables at a 0.05 significance level. Conversely, the maximum value test of λ -max (Maximum Eigenvalue) shows the no co-integration because the critical values are lower than the Maximum Eigenvalue for both models at the 0.05 significance level.

Table (3): Johansen's Cointegration test

Unrestricted Cointegration Rank Test (Trace)					Statistical Decision
Hypothesized	0.05	Trace			
No. of CE(s)	Critical Value	Statistic	Eigenvalue	Prob.**	There is a co -integration in the model
None *	63.87610	91.54004	0.905542	0.0000	
At most 1 *	42.91525	46.70754	0.733435	0.0199	
At most 2	25.87211	21.58692	0.548277	0.1559	
At most 3	12.51798	6.487895	0.289274	0.4010	
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)					
Hypothesized	0.05	Max-Eigen			
No. of CE(s)	Critical Value	Statistic	Eigenvalue		There is no co -integration in the model
None *	32.11832	44.83250	0.905542	0.0009	
At most 1	25.82321	25.12062	0.733435	0.0617	
At most 2	19.38704	15.09903	0.548277	0.1883	
At most 3	12.51798	6.487895	0.289274	0.4010	

4.6 Diagnostic Tests for Random Errors:

To ensure the model fit, several diagnostic tests are as follows :

- **Breusch-Godfrey Serial Correlation LM**: indicates that the F value was (1.416465) at the significant level (0.2725), which means the null hypothesis was rejected. So, there is no serial correlation for regression equation errors.
- **Ramsey Test:** It aims at determining the functional design of the model. The test value of the model (3.979062) at a level (0.0607).
- **Normal Distribution of Random Errors Test (Jarque-Bera's)**: It aims to test the normal distribution of regression errors. The test value for the model (is 2.2079) at (0.3315) significance level. The significance level are more than the permitted level of 0.05. Thus, the data used in the econometric model is normally distributed.

5.6 ARDL Outcomes For Short-Term:

Table (4): ARDL Short Run Coefficients

Prob.	t-Statistic	Std. Error	Coefficient	Variable	Granger Causality Tests		
0.0461	2.142411	0.152708	0.327163	PE	Prob.	F-Statistic	
0.0000	18.59843	0.787314	4.64280	GDP			
0.0448	-2.156976	0.044592	-0.096183	BC	0.0163	5.48320	BC does not Granger Cause PE
					0.0754	3.08574	GDP does not Granger Cause BC
					0.0230	5.00020	RC does not Granger Cause GDP

1387.567	Mean dependent var	0.708054	R-squared
588.1030	S.D. dependent var	0.675615	Adjusted R-squared
14.59742	Akaike info criterion	334.9527	S.E. of regression
14.74664	Schwarz criterion	2019480.	Sum squared resid
14.62980	Hannan-Quinn criter.	-150.2729	Log likelihood
		1.963900	Durbin-Watson stat

The statistical rule says that IV affect when p-value lower than 0.05. Table 4 shows that returned cheques have a strong positive impact on GDP. These cheques are part of the economy and transactions, and the cheques' volatility means more value added to the economy. Returned cheques can explain 70.5% of variations in GDP as an alternative tool for money in local transactions. The Granger Causality Test shows a causal correlation from the returned cheques to GDP. The Table shows a positive impact of Public Spending on returned cheques. The bank credit to the private sector negatively affected returned cheques. GDP has a positive effect on

returned cheques within the study period. Statistically variables can explain 67% of variations in returned cheques based on adjusted R-square. According to the Granger Causality Test, there is a causal relationship between bank credit to public Spending and a causal relationship from returned cheques to economic growth.

6.6 Error Correction Model ECM:

Table (5) ARDL Error Correction Regression

ECM Regression
Case 2: Restricted Constant and No Trend

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0002	-13.00443	0.114546	-1.489610	D(RC(-1))
0.0361	-3.102118	0.269924	-0.837336	D(RC(-2))
0.0011	8.389461	0.154683	1.297706	D(PE)
0.0125	4.314793	0.103753	0.447674	D(PE(-1))
0.0644	2.533967	0.014379	0.036436	D(GDP)
0.0021	7.107162	0.032377	0.230109	D(GDP(-1))
0.0200	3.744474	0.021297	0.079745	D(GDP(-2))
0.0013	8.072548	0.085509	0.690273	D(BC)
0.0023	-6.884745	0.080789	-0.556213	D(BC(-1))
0.0011	-8.413318	0.098798	-0.831222	CointEq(-1)*

Table 5 shows error correction bounds and short-term elasticity coefficients. It shows that the volatility in public Spending by 1% increases the returned cheques by 1.29% annually. It means a positive relationship between the two variables. It found also that the 1% increase in credit banks to the private sector will increase the returned cheques by 0.69% annually. It means a positive relationship between the two variables. ECM shows that short-term (t-1) variation in returned cheques from the equilibrium point in the long term requires an annual growth rate in public Spending by 0.44% to the equilibrium level. It means there is a high speed for returned cheques to back again for long-term equilibrium. Back to the short-term equilibrium of returned cheques at t-1 may occur by reducing the bank credit by 0.556% annually. In anither words, the speed of the long-term equilibrium of returned cheques is less than one year. It noted that the back of returned cheques to equilibrium point requires annual growth at 0.23% and 0.079%. Table 5 shows the cointegration exists among the returned cheques and public Spending, the bank credit, and GDP. The p-value of the CointEq (-1) (0.0011) is less than 0.05. The co-integration also has a negative value between variables, and the p-value of the CointEq (-1) (0.694% and 0.831%, respectively) more than 0.05.

7.6 ARDL Long-Term Test:

Table 5 shows the public Spending, bank credit, and GDP will not affect returned cheques in the long term.

Table (5): Long Run ARDL

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0848	1.854931	0.025007	0.046387	GDP
0.3200	-1.030950	0.048125	-0.049614	PE
0.4712	0.740623	0.208672	0.154547	BC
0.4901	0.708724	258.7256	183.3650	C

EC = RC - (0.0464*GDP -0.0496*PE + 0.1545*BC + 183.3650)

8.6 UECM Test:

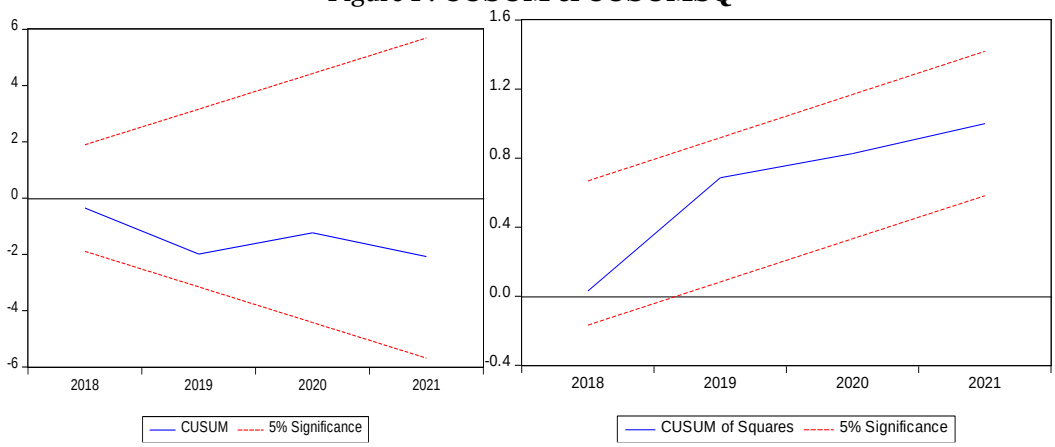
The Pesaran and Pesaran model (1997) indicates that the UECM estimate in the ARDL co-integration model is to test the structural stationary of short and long terms. It means that the data used are stationary over time. For this purpose, there are types of tests used:

A. CUSUM (Cumulative Sum of Recursive Residual).
B. Cumulative Sum of Square Recursive Residual.

The structural stationery of estimated UECM is achieved in the co-integration model if the CUSUM and CUSUMSQ figures are located within critical boundaries at a 5% significance level. If the figure moves out of bounds, the coefficients are non-stationary at this level. Figures show the estimated coefficient of the ARDL model, considered stationary during 2000-2021. It emphasizes the stationary of the research variables and the harmony between the short- and long-term error correction results. The figure of these tests occurred

within the 5% critical boundary (Ramirez, 2012). It can be said there are co-integration and the long-term between the study variables. Therefore, there is a long-term relationship between public Spending, bank credit, and returned cheques in the economy of Jordan.

Figure 1 : **CUSUM & CUSUMSQ**



7. Outcomes Discussion:

The results in Part I indicate a positive correlation between returned cheques and short-term economic growth, and this impact may also exist in the long term. Returned cheques explained 70.5% of changes in GDP. So, it is an effective tool for financial transactions in the economy. The causal relationship goes from returned cheques to economic growth. Nowadays, cheques play a crucial function in the economy and are considered a cash tool against all trading actions and transactions. This tool has derived its power from generally accepted by individuals as a means of exchange and debts. Nowadays, most people receive their daily, weekly, and monthly salaries or wages by cheques. So, the share of cheques submitted to bank clearing has risen to 86%. The written cheque means a time deferral of the payment until it is officially received from the bank or deposited in the beneficiary account. Many commercial transactions now use cheques as a value criterion, as there is no problem because the prices of goods and services are visible. Therefore, cheques submitted for clearance in 2021 amounted to JD 37.7 billion, or 122% of GDP. We add that cheques in Jordan's economy have several functions by cash. They have become a store of value, a savings tool, and a means of future payments. These functions directly encouraged the cheques in economic activity and affected the level and growth rates. In general, all previous functions of cheques in Jordan's economy strongly affect the economic activity and the levels of growth. Therefore, it allocates resources and distributes income and wealth within the economy.

The returned cheques are part of the bank clearing BY J.D 1.2 billion, with 84.4% of the total cheques in 2021. The Kingdom operates five payment systems, including the Electronic Cheque Clearing System (ECCU), the Automated Clearing Room System (ACH), the Electronic Billing Display and Collection System (eBills), the Mobile Payment System (Gomobe), and the Instant Payment System (CLE). The number of movements reached 78 Billion at J.D 62 billion (JUPAC, 2022). The Electronic Cheque Clearing System (eCheque Clearing System) grew the value of cheques traded by 8.4%, with a value of JD 40.83 billion and several cheques reaching 6.9 billion in 2022. The returned cheques fell by 11% compared to the 2021 due to a decline in economic activity. The ACH works with money transfers between creditors and debtors in the financial system. These transfers have increased by 5.6% at 10.2 million operations. So, the volume of money transfers has increased by 11.2% to J.D 8.19 billion. Thus, salary transfers have 75.7% of the total operations. All of the above clearly show the importance of cheques in Jordan's economy and have a share in commerce, housing, education, and agriculture, which positively affected the GDP growth.

In the second part, public Spending reached J.D 9858.6 billion in 2021. It stimulates and motive the economic situation. This Spending has two types. The current Spending reached 88.4% of the total public Spending for 2021 (8720.6), and 11.6% for capital spending purpose. This Spending represents a significant portion of salaries and wages that affects the returned cheques and robust economic growth. The important thing is that the effect is short-lived and will not continue for the long term. Jordan's economic cycle is short more than economic stimulus in the long term. Despite the difference between the structure of Jordan's economy and other developing economies, our results are consistent with the findings of other studies that supported the Wagner Act and the Keynesian theory. It shows that public Spending - regardless- of the type and size, is a tool for accelerating economic activity and development (Shafuda & De, 2020). Our results also supported Solo's (1956) neoclassical growth model, which confirmed that public Spending would not have a long-term impact on economic growth. The current results confirm the short-term effect of public Spending on returned cheques (through their relationship to GDP). It is consistent with Attari & Javed (2013), Rahman et al. (2023), and Kwasi et al., 2022).

The bank credit to the private sector negatively affects returned cheques in the short term. There were no implications of bank credit for long-term returned cheques. The causal test found a correlation from the bank credit towards public Spending as well as from GDP towards private bank credit. Bank credit is the whole debt of persons such as natural individuals and private legal persons. Their ability depends on the trust level of credit donors. They often come from expected revenues in the future and hence their ability to meet the debt (Nashed, 2005). There are several factors affecting bank credit, most notably: capacity to pay, availability of borrowers' information, increased public sector credit, macroeconomic shocks, general economic conditions, macroeconomic policies, banking managerial problems, high concentration, and lack of competition (Rabat & Brich, 2018). The current study has proven that bank credit positively affects returned cheques. The domestic monetary and credit expansion may affect the allocation of funds, improved trade operations, and enhanced fulfillment of people obligations. Although studies examined the relationship between bank credit and economic growth, no sufficient studies confirmed the relationship between bank credit and returned cheques. The returned cheques are a channel transfers bank credit in the economy, so the indirect relationship between them can proved.

8. Conclusion and Implications:

The study provided strong evidence of the importance of returned cheques in Jordan's economy and their short and long-term economic implications. Cheques in the Jordanian economy have become an alternative tool for cash and have the primary functions. Its role as a security or credit tool disappeared. The conceptual foundations of the returned cheques show the percentage of small cheques. 68% of returned cheques are less than J.D 5000. These cheques have conflict and litigation among small borrowers, faltering many borrowers and lowering the trust. We noted that the standard of living, demand level, and declining trade decreased. The decline in liquidity among middle-income and low-income has affected overall economic activity and has played a vital role in the stability of micro and small-scale enterprises. Commercial banks' restructuring of loans to low-income people and SMEs is an insufficient procedure for additional liquidity injunction. Monetary policy actions to reduce mandatory cash reserves, reduce the cost of financing, increase the timelines for existing and future facilities for economic sectors, and defer their installments. The previous procedures tended to large companies with more abundant financial resources than small companies.

Jordan's economy has distortions in commercial operations because of weak purchasing power, a decline in the level of transactions, and the focus on basic needs only by the population. The coronavirus pandemic has contributed to the economy. Every year, the government faces frequent and no frequent economic challenges. It starts from foreign aid, public Spending, and the three dimensions-based problems of the Jordanian economy: budget deficit, public debt, and current account deficit. Recently, the negative economic repercussions of the war on Gaza have emerged, and the local economy still stagnated. Shortly, the oil, gas, and water prices will increase, precisely after stopping working with economic agreements with Israel. The above may cause further economic pressures on tourism, investment, and domestic consumption. According to economic theory, exports may also decline in growth in logistics, restaurants, and transportation. These conditions have continued to increase military Spending. Thus, the economic situation in 2024 is ambiguous, and the projected $1.143 billion public budget deficit and the returned cheques will grow increasingly. Resolving returned cheques in the economy needs fiscal and economic procedures rather than legal or legislative procedures.

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