

The Impact of Al-Mudayanah and Al-Musharakah on the Earning of Islamic Banks: A Case study of the Jordanian Islamic Bank during the Period (2000-2015)

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Abstract

The study aims at clarifying the impact of al-mudayanah represented by (al-murabahah, al-ijarah) and al-musharakah on the earnings of Islamic banks during the period (2000-2015), taking the Jordanian Islamic Bank as a Case study.

The study reached a group of results, the most important of which are the existence of a positive statistically significant relationship for each of al-murabahah and al-ijarah on return of assets and the existence of a negative statistically significant relationship between al-musharakah and return on assets. The study also found out the existence of a positive statistically significant relationship for each of al-murabahah and al-ijarah on the return on equity and the existence of a negative statistically significant relationship between al-musharakah and return on equity. The study presented the following of recommendations: the necessity for the rehabilitation of leaders and people working in the bank with functional experiences, recruiting competent people in applying the methods of finance investment in Islamic banking. The study also recommend the necessity for benefiting from the experiences of Islamic banks widely spread all over the world in the field of using Islamic methods of financing such as temporary sharecropping contract, sharecropping contract over the lease of a plantation, forward buying, etc., and which are still not used in Jordanian Islamic banks.

Keywords: Islamic Finance, Al-Mudayanah, Al-Murabahah, Al-Ijarah and Al-Musharakah, Return on Assets, Return on Equity.

Introduction

The Islamic banking industry has witnessed a qualitative and a quantitative growth and development, either at the local, regional or international levels, in spite of the novelty of Islamic banks which started to appear in 1971 when the first banks was established and was

based on financial transactions with the frame of Islamic sharia; it was Nasser's social bank in the Arab Republic of Egypt. According to the last statistic issued from the general council of banks and Islamic financial institutions in 2013, the number of the Islamic financial institutions was over 600 working in the various Countries of the world with a bulk of assets which reached, trillion and a half dollars.

Islamic banks formulate several banking services and facilities through performing the different finance and investment processes, with the aim of supporting development in society and achieving a legal profit.

For the processes of Islamic finance and investment, it has formulated many distinguished methods, the most prominent of which are: speculation al-murabahah, al-ijarah and al-musharakah, forward buying, stimulating manufacturing, buying things and immediately selling them for money, temporary share copping contract, and share copping contract over the lease of a plantation and benevolent loan.

Based on what was above mentioned, this study came to measure the impact of contacting loans represented by (profitability and leasing), and participation in the murabahah of Jordanian Islamic Bank represented by (return on assets and return on equity), considering them the main instruments used in the processes of finance and investment in the Jordanian Islamic Bank.

Study Problem

The study problem is represented in the concentration of most Jordanian Banks formulate Islamic finance by contracting loans represented al-mudayanah represented by (al-murabahah and al-ijarah), and the decrease of their dependence on the formula of finance by al-musharakah, in spite of the support of some Islamic economic intellectuals and people concerned with the Islamic banking issue, of the necessity for increasing the dependence of these banks on the formula of finance by musharakah, as a mean which leads to changing the Islamic Bank into a partner in the economic and social developmental process. Here, the main question is raised:

Is the reason that most finances work in the form of al-mudayanah as they generate greater return than finance by musharakah?

From the main question, we can have a group of the following sub-questions:

1. What is the impact of murabahah on the return on the assets of the Jordanian Islamic Bank?
2. What is the impact of al-ijarah on the return on the assets of the Jordanian Islamic Bank?
3. What is the impact of al-musharakah on the return on the assets of the Jordanian Islamic Bank?
4. What is the impact of al-murabahah on the return on the equity of the Jordanian Islamic Bank?
5. What is the impact of al-ijarah on the return on the equity of the Jordanian Islamic Bank?

6. What is the impact of al-musharakah on the return on the equity of the Jordanian Islamic Bank?

Study Hypotheses

First hypothesis: there is a positive statistically significant relationship between al-murabahah and return on the assets of Jordanian Islamic Bank.

Second hypothesis: there is a positive statistically significant relationship between al-ijarah and return on the assets of Jordanian Islamic Bank.

Third hypothesis: there is a positive statistically significant relationship between al-musharakah and return on the assets of Jordanian Islamic Bank.

Fourth hypothesis: there is a positive statistically significant relationship between al-murabahah and return on the equity of Jordanian Islamic Bank.

Fifth hypothesis: there is a positive statistically significant relationship between al-ijarah and return on the equity of Jordanian Islamic Bank.

Sixth hypothesis: there is a positive statistically significant relationship between al-musharakah and return on the equity of Jordanian Islamic Bank.

Study Importance

The importance of the study appears through its presentation of the ways or fields of investment and finance with the wide practices used in most Islamic banks, and reaching a group of suggestions which help decision takers in Islamic banks to raise their competence of investment fields, in a way that contributes to the strengthening of the factors which help in achieving the aims of these banks in achieving the societal development and maintaining and increasing their profits.

Study Aims

This study aims at the following:

1. The identification of the business results of Jordanian Islamic Bank in regard to the sizes and finance forms ratios in al-murabahah, al-ijarah, al-musharakah, during the study period (2000-2015).
2. The study of the impact of finance by al-murabahah, al-ijarah and al-musharakah, on the profits of Jordanian Islamic Bank represented by return on assets.
3. The study of the impact of finance by al-murabahah, al-ijarah and al-musharakah on the profits of Jordanian Islamic Bank represented by return on equity.
4. The presentation of recommendations which help decision takers in Islamic banks to increase profits.

Study Variables

1. Independent Variables:

A- Al-mudayanah: represented by al-murabahah and al-ijarah

Al-murabahah: it is the process of selling commodity with the same price of purchase with a known increase of profit, either with a limited ratio of the price or a

limited amount. Banking al-murabahah is the intermediary of the bank to buy a commodity as required by its client, then forward selling it to him with a price which equals the whole cost of purchase plus a known agreed upon profit between them (Institute of Banking Studies, 2010), and banking al-murabahah is "writing an application form to the bank asking it to purchase a certain commodity and buy it to the client in return to a specific profit. This finance formula is used for satisfying the clients' needs of commodities (Al-ijarah which leads to ownership in Islamic Jurisprudence (Al-ijarah which leads to ownership in Islamic Jurisprudence (Al-Hussoon, Fahd Bin Ali. 2005).

Al-ijarah: "It is the conveyance of property of a known material for a known period of time, followed by its conveyance at a specific state with a specific compensation (Al-ijarah which leads to ownership in Islamic Jurisprudence (Al-Hussoon, Fahd Bin Ali. 2005).

B-Al-musharakah: "it is the offering of money by the bank or client with equal or unequal ratios for the sake of establishing a new project or the contribution to an existing one. Each one of them owns a share of the capital in a fixed or decreasing way and deserves his share of profits, and the loss is divided by each partner's share of the capital (Thirty- Sixth Annual Report, Jordanian Islamic Bank,2014).

The musharakah which ends with conveying property to a person may be short term or long term, such as the case of building on a land which belongs to the customer, and it is a way of restricted speculation or decreasing al-musharakah (Ramadhan, Ziyad.,&Mahfoudh Jouda,2013,pp. 25-31.).

2. Dependent Variables

- A- The return on assets: it is one of the profit ratios that are measured by dividing clear profits, after taxes, by the whole assets. This ratio shows the bank's ability to generate clear profits from the whole assets.
- B- The return on equity: it is one of ratios of profits which are measured by dividing clear profits, after taxes, by the equity. This ratio shows the ability of the bank to generate a clear profit for each dinar the owners contributed to.

Study Limitation:

- Place: the study will be conducted on Jordanian Islamic Bank.
- Time: the study will be during the period (2000-2015) due to the availability of a historical series of financial and statistical data for the study variables.

Population and Sample of the Study:

The study population consisted of the Islamic banks working in Jordan (Thirty- Sixth Annual Report,Jordanian Islamic Bank,2014).

The sample of the study was restricted to Jordanian Islamic Bank, because it is the only bank amongst Jordanian Islamic banks in which there are data for main finance formulas used in this study.

Study Methodology

There will be dependence on the analytical descriptive approach and appropriate statistical methods for dealing with data and bringing out statistical indicators and ratios in order to reach the study aim.

Study Resources

The study was based on the preliminary resources represented by the annual reports of Jordan Islamic Bank for the years (2000-2015), while the secondary resources included bulletins, periodicals and previous studies relating to the study.

Study Model

Dependence will be on two models of multi-linear regression for studying the impact of al-mudayanah and al-musharakah on the profits of Jordanian Islamic Banks as follow:

The first model: the study will depend on the method of multi – linear regression and E-views program for studying the impact of independent variables on the return on the assets, where the following model was built:

$$\text{ROA} = f(\text{MRB}, \text{EGR}, \text{MSR})$$

where:

- ROA stand for return on assets during the period of the study.
- MRB stand for al-murabahah processes during the period of the study.
- EGR stand for al-ijarah processes during the period of the study.
- MSR stand for al-musharakah processes during the period of the study.

Based on the results which the researchers will reach, the writing of the multi regression equation may be according to the following formula:

$$\text{ROA} = a + B_1\text{MRB} + B_2\text{EGR} + B_3\text{MSR} + E$$

Where:

B1, B2 and B3 are the regression co-efficient of the independent variables, and which through their indications, the direction of the relationship between independent variables and dependent variable can be determined.

E-Represents the standard error in the model.

The second model: the study will depend on the method of multi-linear regression and the use of (E-Views) program for studying the impact of independent variables on the return on the equity, where the following pattern was built:

ROE = f (MRB, EGR, MSR where ROE is the return on the equity during the period of the study.

Based on the results which the researchers will reach, the form of the multi-regression equation is as follows:

$$\text{ROE} = a + B_1\text{MRB} + B_2\text{EGR} + B_3\text{MSR} + E.$$

Where B1, B2, B3 are the regression coefficients of the independent variables which, through their marks, the direction of the relationship between the independent variables and dependent variable, can be determined.

Previous Studies, Theoretical Framework and Descriptive Analysis of the Study:

Previous Studies:

There have been many previous studies which dealt with the performance of Islamic banks, the most prominent of which are:

- (Al-momamani's, & Al-Srouji's study, 2007) which aimed at comparing the performance of Islamic banks, represented by Jordan Islamic Bank, with that of traditional ones in Jordan during the period (1992-2001). The study found out the non-existence of statistically significant difference, between the performance of Jordan Islamic Bank and that of traditional banks in regard to the ratios which represent earnings.

- Al-Masharawi's, 2007pp.130-140) which dealt with the affecting factors in the profits of Islamic banks working in Palestine. The study emphasized the necessity for Islamic banks to have various finance packages by using the methods of finance by al-musharakah, al-ijarah, speculation and the non-concentration on finance by al-murabahah in order to achieve an increase in their revenues and consequently to increase the rates of their profits.

- Abdul haleem, 2008, pp1-16) aimed at showing the aims of Islamic banks and their success factors and coming out with performance standards for them through the aims from which they start. The study investigated five Islamic Banks represented by Jordan Islamic Bank, Bahrain Islamic Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank and International Arab Islamic Bank. The study found out that the ratio of al-musharakah and speculation compared to profits did not exceed 10%, except for Dubai Islamic Bank which was 28%. The researcher explained it as the recession of their performance level in the aspect of economic and social development.

- Uthman's, 2009, pp90-100) investigated the statement of affairs of both Jordan Islamic Bank and Arab Islamic bank during the years 2000-2008.

The study found out that Islamic banks invest their funds with short term finance processes without caring about the importance of long term ones like al-musharakah. The researcher pointed out that the main reason for this attitude is the non-confidence of the managements of Islamic Banks to enter in high risk investment fields like speculation or al-musharakah.

- Zeitoon's, 2010, pp108-111) basically aimed at identifying what characterizes Islamic banking in regard to reliability for its clients, knowledge of the response extent of Islamic banks to the needs of clients. The study found out many results, the most prominent of which was that Islamic banks concentrate on a specific method of activities affected by its earnings (profit).

- Al-Fawwaz, & Al-Alawneh & Shawaqfeh (2015) aimed at clarifying the impact of Islamic finance on some economic variables – a study of the case of Islamic Bank. The study took (Gross Domestic Product GDP, economic growth rate, inflation rate and local

investment) as economic variables. The analysis showed the existence of a positive statistically significant relationship between Islamic finance and GDP and economic growth rate and local investment. The study analysis also showed the existence of a negative statistically significance between Islamic finance and inflation. The study concluded a group of recommendations, the most important of which were the creation of new Islamic instruments and work for reinforcing the studies in the field of Islamic financial engineering.

What distinguishes the present study from the previous studies?

Through the review of the previous studies, it was revealed that it concentrated on the Islamic Banks in general, or the applied studies on the Islamic banks working in some countries like Ubadh's study (2008) and Zeitoun's (2010), or were applied studies on Jordanian Islamic Banks, but they dealt with partial issues such as (indicators of performance in Islamic banks, measurement of the excellence of Islamic banking services, and the risks of the formulas of Islamic finance).

Based on that, the present study is distinguished from the others as being the first one – within the research range and knowledge of the researchers – to deal with the impact of finance by al-mudayanah and al-musharakah on the profits (earnings) of Islamic banks through the use of these variables statements of affairs during the period of the study, as well as the use of the method of multi-linear regression, by the help of the statistical program (E-Views) for the study of the impact of the independent variables on the dependent variables which no previous study has resorted to.

Theoretical Farm and Study Descriptive Analysis:

First: the concept and rise of Jordan Islamic Bank:

Islamic Banks, in general, "are those banks or institution whose law of construction and basic system state directly the abiding by the principles of Islamic shoria, and the non-dealing with interest giving and taking (First International Meeting about the crisis of the International Financial and Banking System and the Islamic Banks as an Alternative, Nasser, 2017)

The Jordanian Islamic Bank for finance and investment was established in 1978 as a limited general contributing company. The first branch of the bank started its work on 22 September, 1979 with a paid capital which did not exceed two million JDs of its declared capital of four million JDs. Its capital reached 311 million JDs on 31 December, 2015 (electronic site of the central Bank)

Second: Analysis of the finances of Jordanian Islamic Bank.

By examining the finances of the Islamic Bank during the periods of the study, we find the following:

1. Al-Murabahah(Sales of receivables): the sales of forward accounts have been considered as an indicator for two reasons: the sales of forward accounts include: al-murabahah sales, assets possible for forward sale, where the last is sold by bargain and it forms a little ratio less than 1% of al-murabahah sales in 2014¹. The second reason is that the annual statement affairs in some years disclosed this article under the name accounts of forward sales.

By looking at Figure (1), we notice that the development of the accounts of Al-Murabahah and Al-ijarah during the years of the study was furthered through four stages:

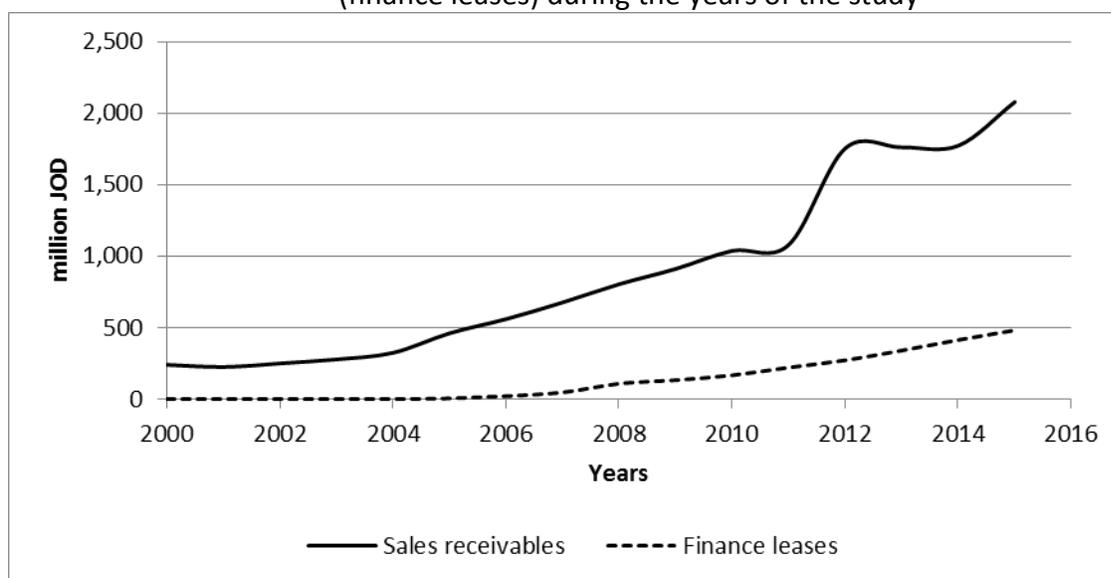
First Stage: in the beginning of the years of the study, we notice a moderate growth in the accounts of forward sales, where the growth average was 8% between (2000-2004).

Second Stage: we notice the increase of the rate of granting finance through sales in this stage, where the growth average of this article was 19% for the period (2005-2011).

Third Stage: the year 2012 witnessed a huge rise in the growth of the accounts of forward sales when the growth of the accounts of forward sales when the growth ratio was 62%.

- While we notice the stability of the rate of this article in the final years of the study.

Figure (1): development of the accounts of Al-Murabahah (Sales of receivables) and Al-ijarah (finance leases) during the years of the study



Source : prepared by the researchers

2- Al-ijarahfinance: By looking at Figure (1), we notice a big development in the finance of al-ijarah during the years of study, where the ratio of growth in this article was 14563%, and undoubtedly it is a very big one.

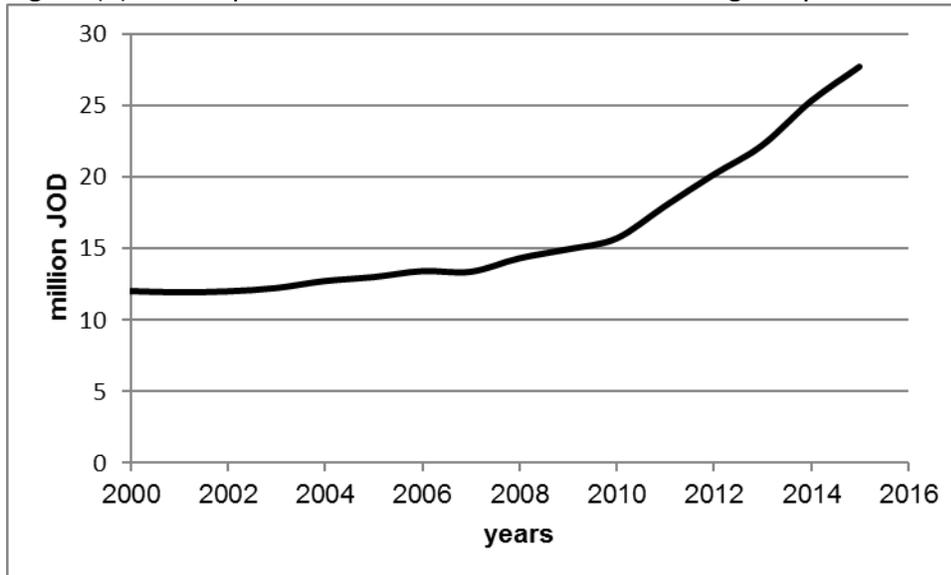
3- When comparing Al-ijarahfinance with that of al-murabahah, we notice that in the beginning years of the study and specifically from 2000 to 2005, the ratio of Al-ijarahfinance to al-murabahah did not exceed 2% during the period of the study, which means that the bank depended on al-murabahah sales as a general way of finance, but from 2006, this ratio started to rise until it reached 23% in 2015.

4- Al- Musharakahfinance: By looking at Figure (2), we notice the development of al-musharakahfinance during the years of the study in a two-stage development:

First Stage: in the beginning years of the study, we notice a simple growth in al-musharakahfinance, the growth ratios in this article in the years (2001-2010) ranged between 0% to less than 5% with an average growth of 2.7%.

Second Stage: we notice a remarkable development the last years (2001-2010) in this article where the growth ratio was exceeding 10% for all years.

Figure (2): development of al-musharakah finance during the years of the study



Source : prepared by the researchers

5- By comparing al-murabahah finances with al-musharakah finances we notice:

- The ratio al-musharakah finances to the accounts of forward sales did not exceed the ratio of % during the periods of the study, the fact which signifies the bank's dependence on al-murabahah sales as a general formula of finances.
- This ratio, in spite of its low level, is in a decreasing direction which has not exceeded 2% since 2008, which emphasizes the bank's policy of finances by al-mudayanah.

6- But when comparing al-ijarah finances with those of al-musharakah, we notice that in the beginning years of the study and specifically from 2000-2005, al-musharakah finances were bigger than those of al-ijarah.

For example, al-musharakah finances in 2000 constituted 365.7% of al-ijarah finances, but starting from 2006, al-ijarah finances were above average over al-musharakah finances with the big increase of al-ijarah finances and the decrease of al-musharakah finances.

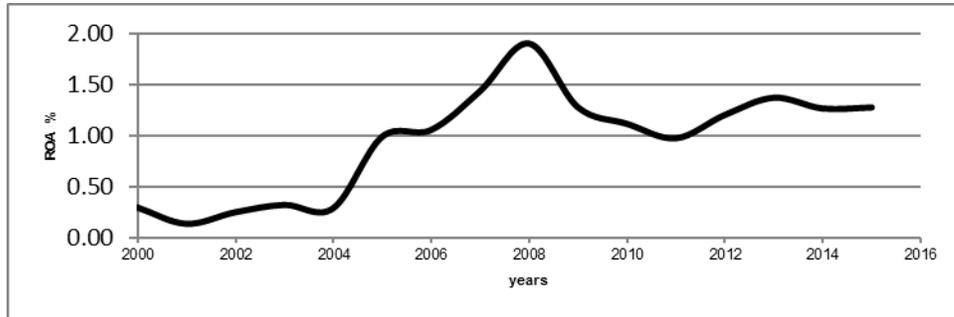
Third: The analysis of the earnings of Jordan Islamic Bank:

1- The development of the bank's earnings with the significance of return on assets during the period of the study. By looking at Figure (3), we notice that the earnings of Jordanian Islamic Bank, during the period of the study, developed through four stages:

- **First Stage:** in the beginning years of the study, (2000-2004), we notice the existence of fluctuation in the growth of the rates of earnings between negative and positive. Despite this fact, the growth average of return on assets was positive as it reached 11%.
- **Second Stage:** in this stage, we notice the rise of the bank's earnings as it reached its average (77.8%) during the period (2005-2008).

- Third Stage:** in this stage, we notice that the directions of earnings are toward decrease, when the growth ratios of earnings were negative during the years (2009, 2010, and 2011). They ranged between (-12%) to (-32%).
 During the final years of the study, we notice the return of the directions of earnings toward rise, when they reached about 10% during the period (2012-2015).

Figure (3) Development of the earnings of Jordanian Islamic Bank (return on assets %)

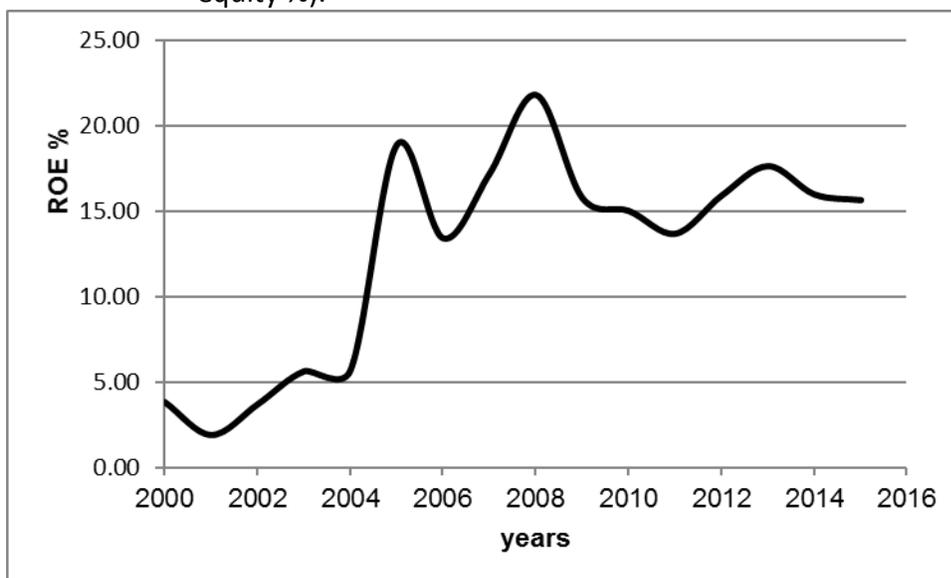


Source: prepared by the researchers

- 2- The development of the bank's earnings as signified by the return on equity during the period of the study.

By looking at Figure (4), we notice that the general direction of the return on equity is a positive direction and there is a big growth in the bank's earnings in 2005, when the return on equity increased with (232%) more than the previous year.

Figure (4): Development of the earnings of Jordanian Islamic Bank (return on the equity %).



Source : prepared by the researchers

Regression Analysis:

- **Estimate and evaluation of the model of the first regression:** the method of multi-linear regression was followed to estimate the impact of independent variables on the return on assets (ROA) in the Jordanian Islamic Bank, and with the help of (E-Views) program. The estimate results came as follows:
First: the estimate of the first regression model.

Table (1): the estimate results of linear significance of the first multi-regression model.

Variable	Coefficient	t- Statistic	Prob
LOG(MRB)	0.526758	2.835077	0.0162
D(EGR)	1.87E-08	3.453276	0.0054
D(MSR)	-5.41E-07	-4.972264	0.0004
C	-9.781087	-2.682782	0.0213

Source: prepared by the researchers using the program .E-views.

According to Table (1), the estimate results of the regression model were as follows:

Adjusted R-squared: 85% R-squared: 88% F= 28.25 D-W= 1.65

From the above Table (1), we notice that the independent variables (MRB, EGR, MSR) are significant at statistical level 5%.

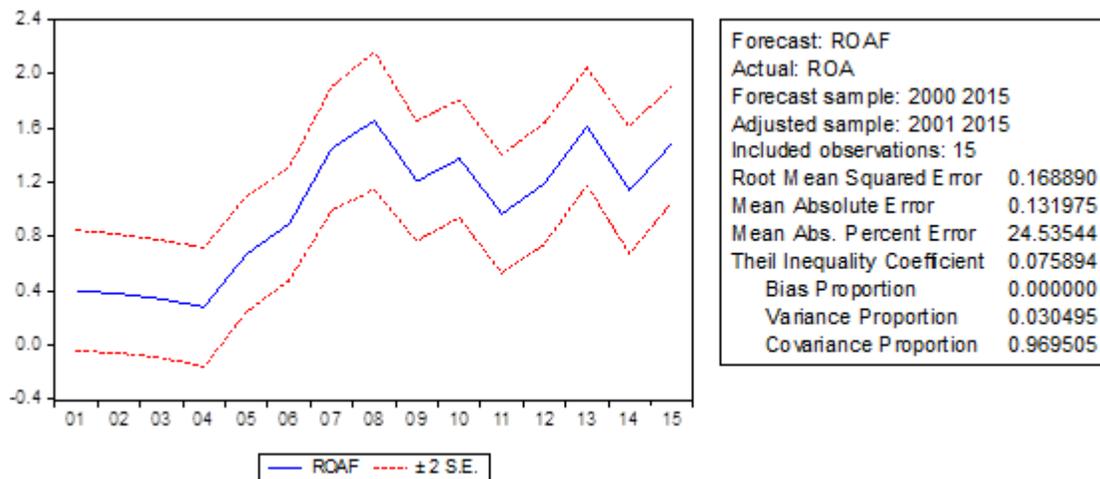
Second: Evaluating the model according to the statistical standard:

It is clear from the model that the coefficient of determination is (Adjusted R-squared: 85%). This means that the changes in the independent variables together explain about (85%) of the changes occurring in the dependent variable. The value of (F-statistic) reached (28.25) with a statistical significance of zero. This means that the model is significantly significant, and Durbin-Watson coefficient reached (1.65), and this means that the model is appropriate and statistically significant, as we cannot judge the existence of the problem of inherent correlation or (Systematic Error).

Third: Testing the prediction ability of the first model:

We can test the usefulness extent and the prediction ability of the model on the return on the assets of the Jordanian Islamic Bank through the use of the coefficient of (variance proportion) as the Figure (5) explains:

Figure (5): the reliability extent and the model's suitability



So

source : prepared by the researchers using the program .E-views.

We notice that the model has an accepted predictive ability through the coefficient of (Variance Proportion) as it is close to zero, where it is estimated as (0.030) which indicates the predictive ability of the model on the return on the assets of Jordanian Islamic Bank as satisfactory.

Discussion of the hypotheses based on the first measurement model:

The first hypothesis: there is a positive statistically significant relationship between al-murabahah and the return on assets of the Jordanian Islamic Bank. It was revealed from the measurement estimate of the model that the value of the coefficient of al-murabahah is equal to (0.52) a positive signal, which means that the relationship between the change in al-murabahah and the change in the return on assets is positive during the period of the study (2000-2015). Based on T-Test, this result is characterized by statistical significance at ($\alpha=0.05$), which means that the trust level of this variable equals (95%), and consequently the acceptance of the hypothesis which states the existence of a positive relationship between the bulk of al-murabahah and the return on assets.

Second hypothesis: there is a positive statistically relationship between al-ijarah and the return on assets. It was revealed from the measurement estimate of the model that the value of the coefficient of al-ijarah is equal to (1.87 E-08) a positive signal, which means that the relationship between the change in al-ijarah and the change in the return on assets is positive during the period of the study (2000-2015).

Based on T-Test, this result is characterized by statistical significance at level (1%), which means that the trust level of this variable is equal to (99%), and consequently the acceptance of the hypothesis which states the existence of a positive relationship between the bulk of al-murabahah and the return on assets.

Third hypothesis: there is a positive statistical significant relationship between al-musharakah and the return on the assets of the Jordanian Islamic Bank. It was revealed

from the measurement estimate of the model that the value of the coefficient of al-musharakah is equal to (-05.41E-07) a negative signal, which means that the relationship between the charge in al-musharakah and the change in there turn on assets is negative during the period of the study(2000-2015) based on T-Test this result is characterized by statistical significance at level (1%), which means that the trust level of this variable is equal to (99%), and consequently the rejection of the hypothesis which states the existence of a positive relationship between the bulk of al-musharakah and the return on assets, as a result of the fact that the operations of al-musharakah cause loss in the Islamic Bank.

- **The estimate and evaluation of second model regression:** the method of multi linear regression was used for the estimate of the impact of independent variables on the return on the of equity in the Jordanian Islamic Bank. By using (E-views) program, the estimate results came as follows:

First: the estimate of second model regression:

Table (2): the estimate results of the linear significance of the second model multi-regression

Variable	Coefficient	t-Statistic	Prob.
LOG(MRB)	10.29280	4.402756	0.0013
D(EGR)	1.05E-07	1.879012	0.0897
D(MSR)	-4.38E-06	-2.718870	0.0216
C	-192.4971	-4.147196	0.0020

Source: prepared by the researchers using the program .E-views.

According to Table (2), the estimate results of the regression model were as follows:

Adjusted R-Squared: %72 R-Squared: %63 F=8.16 D-W= 2.27

From the already mentioned Table (2), we notice that the independent variable (MRB) is statistical at significance level (1%), while the independent variable (MSR) is statistical at significance level (5%), and the independent variable (EGR) is statistical at significance level (10%).

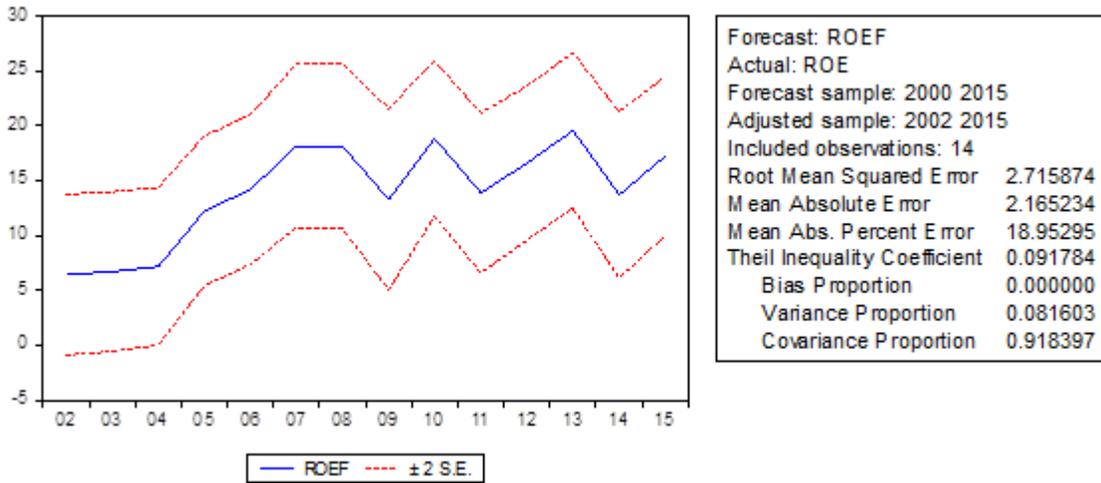
Second: the evaluation of the model according to the statistical standard.

It is clear from the model that the coefficient of limitation (Adjusted R-squared) is (72%), which means that the changes occurring in the dependent variable and Durbin-Watson coefficient reached (2.27), which means that the model is appropriate and statistically significant in a way that we cannot judge the existence of the problem of self-correlation or (systematic error).

Third: testing the prediction ability of the model.

We can test the suitability and prediction ability of the model on the return on the equity of Jordanian Islamic Bank by using the criterion of (variance of proportion) as explained by Figure (6).

Figure (6): the reliability and suitability extent of the model.



Source : prepared by the researchers using the program .E-views.

It is noticeable that the model has a very weak ability of prediction as it appears through the coefficient of (variance proportion), as it is estimated with (0.08), which indicates the acceptance of the prediction ability of the model on the return on the assets of Jordanian Islamic Bank.

Discussion of the hypotheses based on the second measurement model:

Fourth hypothesis: there is a positive statistically significant relationship between al-murabahah and return on the equity of Jordanian Islamic Bank. It was revealed from the measurement estimate of the model that the value of the coefficient of al-murabahah is equal (10.29), which means that the relationship between the change in al-murabahah and the change in the return on equity is positive during the period of the study (2000-2015).

Based on T-Test, this result is characterized by statistical significance at level (1%), which means that the trust level of this variable is equal to (99%), and consequently the acceptance of the hypothesis which states the existence of a positive relationship between the bulk of al-murabahah and the return on the equity of Jordanian Islamic Bank.

Fifth hypothesis: there is a positive statistically significant relationship between al-ijarah and the return on the equity for Jordanian Islamic Bank.

The measurement estimate of the model shows that the coefficient value of al-ijarah is equal to (1.05 E-07) which means that the relationship between the change in al-ijarah and the change in the return on equity is positive during the period of the study (2000-2015). Based on T-Test, this result is characterized by statistical significance at level (10%), which means that the trust level of this variable is equal to (90%), and

consequently the acceptance of the hypothesis which states the existence of a positive relationship between the bulk of al-ijarah and the return on the equity of Jordanian Islamic Bank.

Sixth hypothesis: there is a positive statistically significant relationship between al-musharakah and the return on the equity of Jordanian Islamic Bank: the measurement estimate of the model shows that the coefficient value of al-musharakah is equal to (-4.38 E-06), which means that the relationship between the change in al-musharakah and the change in the return on equity is negative during the period of the study (2000-2015).

Based on T-Test, this result is characterized by statistical significance level (5%) which means that the trust level of this variable is equal to (95%), and consequently the rejection of the hypothesis which states the existence a positive relationship between the bulk of al-musharakah and the return on the equity of Jordanian Islamic Bank, and this is because the operations of al-musharakah cause a loss in the Islamic Bank.

Results and recommendations:

Results:

The total results that the study concluded are as follows:

1- The bulk and ratios of the finances of Jordanian Islamic Bank through the way of al-murabahah are considered big in comparison with the ways of al-ijarah and al-musharakah.

This may be due to the easy interaction and application of the way of al-murabahah and its little risk in the light of the availability of somewhat sufficient guarantees.

2- The development of the method of al-ijarah finance at Jordanian Islamic Bank during the years of the study (2000-2014) in a great way, when the growth ratio reached (12506%). The reason is the easiness of interaction and application of this method and the little risk in the light of the availability of appropriate guarantees.

3- The ratio of al-musharakah finances in the Jordanian Islamic Bank compared with al-murabahah finances is very low and did not exceed (6%) during the study period, and it is also declining. This is due to a group of reasons, the most important of which may be: the non-availability of exact benefit studies of al-musharakah projects with the private sector, and the non-availability of enough experience to apply this method, as well as the absence of the legislations which maintain for the bank the possibility of obtaining its rights from those who claim failure and refuse to re-pay.

4- The existence of a positive statistically significant relationship between the bulk of al-murabahah the return on assets. This means that the operations of al-murabahah lead to the increase of the return on assets in the Jordanian Bank.

5- The existence of a positive statistically significant relationship between the bulk of al-ijarah and return on assets. This means that al-ijarah operations lead to the increase on assets. This means that al-ijarah operations lead to the increase of return on assets in the Jordanian Bank.

6- The existence of a negative statistically significant relationship between the bulk of al-musharakah and return on assets. This is because al-musharakah operations cause a loss in Jordanian Islamic Bank.

7-The existence of a positive statistically significant relationship between the bulk of al-murabahah and return on equity. This means the operations of al-murabahah lead to the increase of the return on equity in the Islamic Bank.

8- The existence of a positive statistically significant relationship between the bulk of al-ijarah and return on equity.

9- The existence of a negative statistically significant relationship between the bulk of al-musharakah and return on equity. This is because al-musharakah operations cause a loss in Jordanian Islamic Bank.

Recommendations:

1- It is necessary for Jordanian Islamic banks to conduct an analysis and an exact benefit study for projects in which they are participating with the private sector, especially in the light of the successive losses occurring because of this participation.

2- It is necessary for the private sector to offer some guarantees which ensure the limitation of the risks which the Islamic Banks are exposed to as a result of this participation in some projects, in a way that reinforces the trust of the banks in this participation.

3- It is important to take care of the rehabilitation of the leaders and people working in the Islamic banks with functional experiences and the employment of competent people in the application of finance and investment methods in Islamic banking, the fact which reinforces and helps in the creation of self-confidence of those dealing with Islamic banks.

4- It is necessary for Jordanian Islamic Banks to build up (establish) relations with other Islamic banks widespread all over the world in order to benefit from their experiences in the field of employing Islamic finance methods such as temporary sharecropping contract, sharecropping contract over the lease of a plantation, forward buying, and others, which are still not used in Jordanian Islamic banks.

5- It is important to encourage scientific research in the field of Islamic finance methods, adopt the studies relating to this topic, by cooperating with universities and specialized institutes to hold seminars, meetings and distribute bulletins to spread the awareness of these methods.

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