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ISLAMIC BANKING INSTITUTIONS AND THEIR ROLE IN ECONOMIC DEVELOPMENT OF JORDAN

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ABSTRACT

Purpose: This study aimed to demonstrate the importance of economic financing at Islamic banks in the Hashemite Kingdom of Jordan.

Theoretical framework: This study came to answer the following main questions:
1. What is Islamic banking finance, its meaning, and its characteristics?
2. What is the reality of Islamic banking finance in Jordan?
3. What is the impact of Islamic banking finance in Jordan on increasing investment and saving?
4. What is the impact of Islamic banking finance in Jordan in reducing inflation and unemployment?
5. What is the impact of Islamic banking finance in Jordan on the gross domestic product?
6. What is the main difference between Islamic banking and the conventional banking system?

Design/methodology/approach: The study measures several areas in terms of income, unemployment, inflation, investment, as well as gross domestic product during the period from 2015-2020, where the regression approach was adopted in order to measure the effects.

Findings: The study showed no statistically significant effect of financing in Jordanian Islamic banks on the gross domestic product and inflation while it showed a statistical effect of financing in Islamic banks on the public commercial sectors, housing, and construction. The study also revealed that largest part of financing in Jordanian Islamic banks is directed toward construction and housing sector, followed by the public services sector to achieve the desired economic goals of Islamic banking finance.

Research, Practical & Social implications: This study was limited to explaining the economic importance of Islamic banking finance in Jordan, and to some economic variables; such as gross domestic product, inflation, and unemployment.

Originality/value: Study stems from the importance of financing provided by banks, where commercial or Islamic financing in banks considers one of the most important services provided to society, and accordingly this study hopes to present a practical vision of financing importance in Jordanian Islamic banks on economic development, and hopes to provide recommendations for Jordanian Islamic Banks.

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INSTITUIÇÕES BANCÁRIAS ISLÂMICAS E SEU PAPEL NO DESENVOLVIMENTO ECONÔMICO DA JORDÂNIA

RESUMO

Objetivo: Este estudo teve como objetivo demonstrar a importância do financiamento econômico em bancos islâmicos no Reino Hachemita da Jordânia.

Enquadramento teórico: Este estudo veio responder às seguintes questões principais:
1. O que são as finanças bancárias islâmicas, seu significado e suas características?
2. Qual é a realidade do financiamento bancário islâmico na Jordânia?
3. Qual é o impacto do financiamento bancário islâmico na Jordânia no aumento do investimento e da poupança?
4. Qual é o impacto do financiamento bancário islâmico na Jordânia na redução da inflação e do desemprego?
5. Qual é o impacto do financiamento bancário islâmico na Jordânia sobre o produto interno bruto?
6. Qual é a principal diferença entre o sistema bancário islâmico e o sistema bancário convencional?

Desenho/metodologia/abordagem: O estudo mede várias áreas em termos de renda, desemprego, inflação, investimento, bem como produto interno bruto durante o período de 2015-2020, onde a abordagem de regressão foi adotada para medir os efeitos.

Resultados: O estudo não mostrou efeito estatisticamente significativo do financiamento em bancos islâmicos da Jordânia sobre o produto interno bruto e a inflação, enquanto mostrou um efeito estatístico do financiamento em bancos islâmicos nos setores comerciais públicos, habitação e construção. O estudo também revelou que a maior parte do financiamento nos bancos islâmicos da Jordânia é direcionada para o setor de construção e habitação, seguido pelo setor de serviços públicos para alcançar os objetivos econômicos desejados do financiamento bancário islâmico.

Implicações de pesquisa, práticas e sociais: Este estudo limitou-se a explicar a importância econômica das finanças bancárias islâmicas na Jordânia e algumas variáveis econômicas; como produto interno bruto, inflação e desemprego.

Originalidade/valor: O estudo decorre da importância do financiamento fornecido pelos bancos, onde o financiamento comercial ou islâmico nos bancos é considerado um dos serviços mais importantes prestados à sociedade e, portanto, este estudo espera apresentar uma visão prática da importância do financiamento nos bancos islâmicos da Jordânia sobre o desenvolvimento econômico e espera fornecer recomendações para os bancos islâmicos da Jordânia.

Palavras-chave: Finanças Islâmicas, Investimento, Bancos Islâmicos, Inflação, Desemprego, Pib, Desenvolvimento Econômico.

LAS INSTITUCIONES BANCARIAS ISLÁMICAS Y SU PAPEL EN EL DESARROLLO ECONÓMICO DE JORDANIA

RESUMEN

Objetivo: Este estudio tuvo como objetivo demostrar la importancia del financiamiento económico en los bancos islámicos en el Reino Hachemita de Jordania.

Marco teórico: Este estudio vino a dar respuesta a las siguientes preguntas principales:
1. ¿Qué es la financiación bancaria islámica, su significado y sus características?
2. ¿Cuál es la realidad de la financiación bancaria islámica en Jordania?
3. ¿Cuál es el impacto de la financiación bancaria islámica en Jordania en el aumento de la inversión y el ahorro?
4. ¿Cuál es el impacto de la financiación bancaria islámica en Jordania en la reducción de la inflación y el desempleo?
5. ¿Cuál es el impacto de la financiación bancaria islámica en Jordania sobre el producto interior bruto?
6. ¿Cuál es la principal diferencia entre la banca islámica y la banca convencional?

Diseño/metodología/enfoque: El estudio mide varias áreas en términos de ingresos, desempleo, inflación, inversión y producto interno bruto durante el período 2015-2020, donde se adoptó el enfoque de regresión para medir los efectos.

Resultados: El estudio no mostró un efecto estadísticamente significativo del financiamiento del banco islámico en Jordania sobre el producto interno bruto y la inflación, mientras que sí mostró un efecto estadísticamente significativo del financiamiento del banco islámico sobre los sectores público comercial, de vivienda y de construcción. El estudio también reveló que la mayor parte de la financiación de los bancos islámicos de Jordania se dirige al sector de la construcción y la vivienda, seguido del sector de los servicios públicos para lograr los objetivos económicos deseados de la financiación de los bancos islámicos.

Investigación, implicaciones prácticas y sociales: Este estudio se limitó a explicar la importancia económica de las finanzas bancarias islámicas en Jordania y algunas variables económicas; como el producto interno bruto, la inflación y el desempleo.
Originalidad/Valor: El estudio surge de la importancia de las finanzas proporcionadas por los bancos, donde las finanzas comerciales o islámicas en los bancos se consideran uno de los servicios más importantes que se brindan a la sociedad y, por lo tanto, este estudio espera presentar una visión práctica de la importancia de las finanzas en los bancos islámicos de Jordania sobre el desarrollo económico y espera proporcionar recomendaciones para los bancos islámicos de Jordania.

Palabras clave: Finanzas Islámicas, Inversión, Bancos Islámicos, Inflación, Desempleo, Pib, Desarrollo Económico.

INTRODUCTION

It is clear that development, whether economic or social, depends mainly on increasing funds and investments in various aspects of economic sectors, and every investment must have corresponding savings, and its impact on economic development cannot be overlooked (Al-Fawwaz, Alawneh & Shawaqfeh, 2015).When banks play an important role in economic life, they are the basis of the modern economic system and international trade cannot be separated from it. However, Jordanians and most of the people in the Islamic world believe that usury is forbidden and therefore they are very embarrassed to deal with banks because they rely on the interest system. Thus, the role of Islamic banks is to satisfy aspirations of Muslims in the Arab and Islamic world and the rest of the world. However, in fulfilling this purpose, Islamic banks serve development purposes that commercial banks fail to do, as they are better able to save money from the religious, the poor, and the rich, as well as low- and middle-income groups (Al-Braishi, 2011).The Islamic bank is considered an economic, social, financial, and banking institution, because it aims to mobilize the savings of individuals and direct them towards real investment to serve the community, within the provisions of Islamic Sharia, in a manner that serves the building of an Islamic society of solidarity and achieving distributive justice, and then correcting the function of money in society and putting it on the right track (Mualla, 2015). This, in turn, requires working to diversify the areas of investment for the various economic sectors, to meet the assessed needs of the community, such as industry, agriculture, trade and services, so that the community is self-sufficient and dispenses with others (Youssef, 2018).Based on the foregoing, this study comes to demonstrate the importance and role that Islamic banks play in the development process in the Hashemite Kingdom of Jordan. Financing is one of the most important activities undertaken by Islamic banks, as it is the main determinant of their profits and success, on the one hand, and it contributes to influencing the overall economy on the other. This study came to answer the following main question:

1. What is Islamic banking finance, its meaning, and its characteristics?
2. What is the reality of Islamic banking finance in Jordan?
3. What is the impact of Islamic banking finance in Jordan on increasing investment and saving?
4. What is the impact of Islamic banking finance in Jordan in reducing inflation and unemployment?
5. What is the impact of Islamic banking finance in Jordan on the gross domestic product?
6. What is the main difference between Islamic banking and the conventional banking system?

Study contains the following hypotheses:

First hypothesis: There is a statistically significant effect at ($\alpha = 0.05$) for financing in Jordanian Islamic banks on inflation.

Second hypothesis: There is a statistically significant effect at ($\alpha = 0.05$) for financing in Jordanian Islamic banks on the gross domestic product at current prices.

Third hypothesis: There is a statistically significant effect at ($\alpha = 0.05$) for financing in Jordanian Islamic banks on unemployment.

Study seeks to achieve the following objectives:

1. A statement of the reality of the Jordanian economy and Islamic banking finance in Jordan.
2. Statement of the impact of Islamic banking finance in Jordan on savings and investment.
3. Statement of the impact of Islamic banking finance in Jordan on inflation.
4. Explanation of the role of Islamic banking finance in eliminating unemployment.
5. Identifying the role of Islamic banking finance in Jordan in influencing the size of the gross domestic product.

LITERATURE REVIEW

Finance plays a major role in moving the wheel of the economy, as there is no economic activity that does not need finance, and the term finance has become one of the main terms in the world of economics and finance. The concept of finance developed and emerged as a separate science from economics at the beginning of the twentieth century (Belhaj, 2011). In the 1940s, the interest of institutions increased in how to use money optimally, through the use of financial analysis, methods of financial planning and control, and the study of flows, and in the 1950s, investment and investment increased in the sixties, witnessed great interest in studying the cost of capital as a result of pioneering works in trade. These enormous changes led to great interest in finance (Khalaf, 2016). Traditional finance is defined as: the sum of actions and actions that provide us with the means of payment at any time when it is needed; Financing may be short-term, medium-term or long-term, 6 and here the definition focused on the actions, actions and projects undertaken by individuals, to obtain the funds necessary to carry out the owed obligations, and to achieve a balance (Al-Sabhani, 2011).

Among the negative effects of traditional finance: it leads to the concentration of wealth; The money, in light of this contractual relationship, goes towards the units that always win; Traditional finance leads to the concentration of ownership, unlike Islamic finance, which seeks to expand the base of ownership. It also contributes to the rise in production costs, which are the costs paid by the investor to the intermediary financier, and their burden is transmitted to consumers through prices, which means that traditional financing mechanism is a major source of inflation (Al-Sabani, 2016). All parties participate in bearing the risk of economic activity; as in participation and speculation and leads to the realization of appropriate incentives for investment, and this is what made the German school distinguish between passive (usury) capital and active capital (Ubadah & Abu Dalo, 2015). The reality of Islamic banking finance today is different according to reports issued by those banks, and many studies have proven this reality, which indicates the products' majority of sales and debts because some believe that they are high-risk, as it requires the presence of a partner who adheres to ethical values such as honesty, technical competence in project management, and other justifications (Ubadah and others, 2017).

Islam emphasizes the necessity of controlling financial transactions in accordance with the Islamic approach by prohibiting usury in all its forms and gambling, where the financial transactions in Islamic banking and finance should be guided by the ultimate goal of achieving justice in society, which is one of the main principles in Islam (Abd, Yassin and Muhammad, 2013). Financial transactions require the sharing of profit and loss so as not to place the entire burden on him, in this case the financial institutions need to assess the risks more seriously, and to actively monitor the exploitation of financial finance by the borrowers. With full information on how the borrower will use the loan, without leaving any room for misinformation (Alfasfoos, 2010). Islamic finance, through various Islamic financial institutions (Islamic banks), insurance companies, and various financial institutions), can contribute to promoting financing and investment through a number of multiple and legitimate formulas, which are suitable for various economic activities and sectors, whether they are commercial, industrial, agricultural, real estate (Belhaj, 2011). As the financing activity is considered one of the most important activities carried out by Islamic banks, and accordingly, the financing returns are one of the most important sources of profit for Islamic banks, and accordingly, Islamic banks have many financing and investment methods and methods used (Mualla, 2015). In this sense, the role of Islamic banks is to increase their benefits and to realize community welfare and poverty reduction (Roziq & Yuliarti, 2022). Further, there are some contributions towards this issue through providing practical solutions to enhancing competition in the Jordanian commercial and Islamic banking services market through various Islamic financing services (Altameemi & Al-Slehat, 2022).

There can be an important role in various aspects of the economy based on development through Islamic banks, if the financing mechanisms and formulas used in this financing are reconsidered. In this context, it is possible to take advantage of the available opportunities and the great challenges facing these banks (Association of Banks in Jordan, 2015), where most society members prefer to deal in accordance with the provisions of Sharia that forbid usury and prohibit dealing in it, and the fact that Islamic banks are based on dealing with the provisions of Islamic Sharia, this led to directing a percentage of the capital in financial and commercial transactions through those banks, and therefore it is of great importance studying the extent to which financing of these banks contributes to influencing some macroeconomic variables (Association of Banks in Jordan, 2015). In 2010, the Industrial Development Bank was transformed into Jordan Dubai Islamic Bank, which is the third Islamic bank in Jordan, and in 2011, Al Rajhi Bank, one of the largest Islamic banks in Saudi Arabia, opened its first branch in Jordan, bringing the number of banks Islamic Bank in Jordan to four banks (Association of Banks in Jordan, 2018).

As for the financial position of Islamic banks in Jordan, and with reference to reports issued by Islamic banks, the total assets amounted to about (6.4) billion JD at the end of 2019, which constitutes (14.9%) of the total assets of banks operating in Jordan, and financing provided by Islamic banks amounted to (4.2) billion JD which constitutes (21.8%) of the total financing provided by banks operating in Jordan. The percentage of financing provided by Islamic banks has reached 21.8% of the total financing provided by banks operating in Jordan, which has a clear impact on the Jordanian economy, with the need to pay attention to the small number of Islamic banks compared to commercial banks (Central Bank of Jordan, 2020).

METHODOLOGY

Study Sample

The population and sample consists of Islamic banks operating in Jordan; such as, Jordan Islamic Bank, Islamic International Arab Bank, Safwa Islamic Bank, and Al Rajhi Bank during the period (2015-2020).

Study Measurements

This study will adopt the descriptive approach to describe the data related to the objective of the study, and rely on references, scientific journals, specialized Arab and foreign periodicals, and studies related to the subject, to cover the theoretical aspect of the research. Data on the subject of the study was also collected from the annual financial reports of Islamic banks, as well as the reports of the Central Bank of Jordan and the Association of Banks in Jordan, and on previous studies in extrapolating and describing some of the variables under study. The study also relies on the standard quantitative approach, by building a standard model to test hypotheses and analyze the results related to the measurable factors that affect the measurement of the impact of Islamic banking finance on some macroeconomic variables using time series. The hypotheses were tested; Using simple and multiple regression analysis through the statistical program (SPSS), to test the validity of the study model and the significance of the influence of independent variables on the dependent variable.

THEORETICAL STUDY

Islamic banks are generally defined as “a banking financial institution that collects financial resources and employs them in areas that serve the national economy in accordance with the controls of legality with the aim of achieving profit, and it has a humanitarian message with a developmental and social dimension, aiming to provide financial products that have legitimate integrity” (Al-Sabani, 2016). Islamic banks have also been defined: “as banking institutions that deal with money on the basis of adherence to the provisions and principles of Islamic Sharia, and work to invest money in legitimate ways, and aim to achieve prospects for economic and social development (Khalaf, 2016). Islamic banks are unique in a set of characteristics that distinguish them from other banks, which we explain as follows: (Youssef, 2018)

First: Commitment to the provisions of Islamic Sharia in all their banking transactions and investment activities, not dealing with interest, taking and giving, and submitting all their business to Sharia supervision. Economic sectors, such as Murabaha, Mishawaka, Mudaraba, Istisna, Ijarah, and other investment formulas comply with the provisions of Islamic Sharia.

Second: Justice in the distribution of profits: Islamic banks are distinguished by the principle of justice in the distribution of profits and comprehensiveness in the generalization of good and benefit. Its investment for deposits depends on the basis of participation in the distribution of profits, whether workers, people with limited income or the wealthy, and both the owner of the money and the speculative worker benefit from the fair profit.

Third: Islamic banks are investment banks: These banks do not provide loans to wait for the return of funds in addition to the interest rate, but rather they study the feasibility of projects and start financing them, which involves taking risks, both in terms of the success of projects or in terms of the extent to which liquidity is affected by the outflow of these funds. Or internally, the Islamic banks invest their resources within diversified financing and investment formulas that are regulated by Shariah provisions; Such as Mudaraba, Musharaka, Murabaha, Ijarah Muntahia Bittamleek, Istisna'a, and others.

Fourth: Achieving economic and social development: Islamic banks aim to achieve economic development, link it to social development, and reconcile the spiritual and material aspects.

Fifth: The role of Islamic banks in the economic development of society; This is achieved through achieving the optimal use of economic resources and not squandering them, increasing production capacities and making good use of the available ones, strengthening the economic structural structure, developing economic sectors in a balanced manner, reducing unemployment and paying attention to the human element. Islamic banks also provide various forms of social services; Such as good loans, Zakat Fund, Alms and donations, and the management of charities’ accounts. Islamic banks also achieve social goals through the movement and circulation of money, and the equitable distribution of income and wealth, as well as create incomes, provide job opportunities, and reduce unemployment.

It is known that capital formation is of great importance in economic development; as the decrease in capital formation is due to a lack of savings, which in turn leads to a decrease in real income and a decrease in consumption and savings, and this leads to a decrease in investment, and the experiences of some poor countries have indicated that the national income in them has increased significantly, due to the increase in their traditional exports, which enabled them From making many investments such as roads, transportation and ports, and this confirms the importance of financing in societies (Mualla, 2015). There are many forms of

Islamic financing, such as Murabaha financing, Musharaka financing, Mudaraba financing, Istisna financing, Salam financing, Ijar financing, Tawarruk financing, and deferred sale financing:

First: Murabaha

Murabaha sales are one of the legitimate sales types and financing channels in Islamic banks. Murabaha is defined in the Islamic Fiqh as sale of goods at cost plus an agreed profit mark-up (Al-Mawseli, 1963; Al-Gzaairi, 1979; Al-Jinde, 1986 & AAOIFI, 2010). In language, Murabaha is a source of income and an increase, and in jurists' terminology it is a sale at the same price as Murabaha discounts. According to Ibn Rushd, the sale of Murabaha is an undisputed sale but the sale by bargain precedes it; as Imam Ahmad said, “Murabaha is trustworthy and filthy for the buyer, and he has to explain the matter to his face and does not believe what he wants”, where self-interpretation or error is danger and deception, and it is safer and more appropriate to avoid it (Ahmed, 2020). (Ali, 2011) also argues that even the credit types of Islamic financing, like Murabaha and Ijarah transactions, which provide credit against usufruct or tangible asset, require Islamic banks to know the client’s purpose and use of finance.

Second: Formula for Funding Through Participation

Musharaka is one of the most important ways to deposit money in Islamic jurisprudence and is compatible with the nature of Islamic banks, so it can be used to finance various economic activities. The partnership formula is one of the Islamic alternatives to interest-based financing in traditional banks. The financing of Musharaka depends on the Islamic bank providing the financing demanded by its customers without the need for a fixed interest, as in traditional banks. The Islamic Bank Conference in Dubai decided that partnership is approved by Islamic Sharia if its activity is permissible, and the profit that God provides is distributed between the two partners or partners in proportion to the capital of each of them. The loss should also be in the same proportion as sheep are fined, where if one of partners is managing the company, a percentage of the net profit is allocated to him to be agreed upon, provided that rest of the profit is then distributed among partners according to his share in the capital (Abubakar & Aduda, 2017).

Third: Form of Financing Through Speculation

Mudaraba is one of the most important forms of investing money in Islamic jurisprudence. It is a type of partnership between capital and labor. It will be addressed in terms of its definition, legality, pillars, conditions, types and areas of application in Islamic banks (Al-Ajlouni, 2017). The Mudaraba is when a man gives the man money to trade with it on a known part that the worker takes from the profit of the money, any part of what they agree upon as a third, a quarter, or a half, and it is called Mudaraba or qarda. Ibn Rushd defined speculation "by saying that a man pays man money on condition that he works in it for a part of the profit." The legality of speculation: speculation was common among the Arabs during the pre-Islamic era and Quraysh were people of trade who gave money speculation to those who trade with a named part of the profit, and Messenger; peace is upon him approved this in Islam. Therefore, the legality of Mudaraba contract is based on the Sunnah, the process established by approval of Messenger and the consensus of Companions to act upon it. It has been reported that if he paid Mudaraba money, Al-Abbas Ibn Abdul-Muttalib stipulated that his owner should not take a road by sea, not descend into a valley, and not buy wet-liver with it. If he did, he is a guarantor. May God be pleased with him that Messenger of God, peace and blessings be upon him, said: "There are three types of blessing: selling for a deferred payment, bartering, and mixing wheat with barley for the house, not for sale" (Obadah & Melhem, 2019).

Fourth: Istisna'a Financing Formula

Istisna'a is defined as a contract with a manufacturer to do a specific thing in the custody and it is one of the sales contracts. The Hanafi school held the permissibility of the "Istisna' contract" with approval, just as it went to the permissibility of dealing with the Istisna' contract also the Islamic Fiqh Academy of the Organization of the Islamic Conference, where it stated in its decision the following: (Ramadan, 2018)

1- Istisna'a contract - which is a contract that includes work and the property is a liability - is binding on both parties if it fulfills the elements and conditions.

2- Istisna contract stipulates the following:

(A) Statement of the manufacturer's gender, quantity and required descriptions.

(b) To specify a time limit.

3- It is permissible in Istisna'a contract to postpone the whole price or to divide it into known installments for specific periods.

4- Istisna' contract may include a penalty clause according to what the two contracting parties have agreed upon, unless there are force majeure circumstances. Istisna' has been initiated to meet people's needs and requirements.

İstisna'a began to play an important role in the investments of Islamic banks, as banks financed residential and investment buildings with the Istisna'a system, thus contributing to the solution of many contemporary problems, even if they supplied raw materials to the factory to work on themselves. However, the most important transaction volume is the real estate area.

Fifth: Formula for Financing Through Salam Sale

Salam and salaf have one meaning, which is the sale of something described in the dhimma at an accelerated price, and Salam is a language. In Shariah, it is as Imam Al-Nawawi defined it as a contract for a condition described as a donation that is given sooner, meaning that purchased goods are a debt in the custodianship that is not present in front of the buyer, yet he pays the price immediately to seller, and jurists call the sale of what is needed because it is an absent sale called by the necessity of every one of followers (Ramadan, 2018).

Sixth: Lease Financing Formula with a Promise to Own

The concept of Ijarah; from legal point of view is a necessary contract for an intended benefit that can be spent and permitted for a known period in return for a known consideration. The implementation of leasing in Islamic banks is as follows (Obadah & Melhem, 2019):

1. The bank (lessor) purchases specific fixed assets with the knowledge of (lessee).
2. The bank finances the purchase and ownership of the asset and then leases it out on a medium or long-term contract and delivers it to it for use and use.
3. The rental payments are calculated over the contract period to cover the following:

- The money paid in the purchase of the asset (or part of it).
- The residual value of the asset (at the end of the lease term) to be paid by the customer at the end of the lease term to own the asset (as agreed upon negotiation).
- An appropriate profit margin (representing the bank's return during the lease term).
- The lessee pays a deposit to the bank (at an agreed rate) to ensure the preservation and maintenance of the leased asset during the entire lease period.

- The bank is considered the owner of the asset throughout the lease period, and the business owner and user of it until the completion of the installments of the scrap lease of the asset, and the ownership of the leased asset is transferred to it.

Seventh: Tawarruq Financing Formula

It is the purchase of a commodity at a deferred price and then selling it to another for a cash price to obtain cash, and the sale of Tawarruq is a bargaining sale, where the parties to Tawarruq process are (Obadah & Melhem, 2019):

1- The customer: he buys on credit from the bank (installment sale contract)

2- Bank: a contract of sale to the customer on credit (sale in installments).

3- Buyer: He buys the commodity from the customer in cash.

Eighth: Financing Formula Through Deferred Sale (Sale In Installments)

A deferred sale is that the commodity is delivered immediately in return for postponing the payment of the price to a known time, whether the deferment is for the whole price or part of it and the deferred part of the price is usually paid in installments or installments. The transfer of ownership at the beginning is a deferred sale, and if the price is paid in installments from the beginning of receiving the thing sold with the transfer of ownership at the end of the payment period. It is (sales by installments). Some scholars have prohibited this sale on the grounds that this increase is usury and the opinion of the public is more likely because this is a consensual sale (Al-Ajlouni, 2017). Islamic banks follow the way of deferred sale or sale in installments at a price greater than current price in two cases:

First: in its dealings with merchants who do not wish to use the method of participation financing, and this method is an alternative to the process of purchasing with payment facilities that are practiced by commercial banks.

Second: in transactions in which the deferred amount is large and the deferred payment is long, and it has been found in practice that this formula is used in the Faisal Islamic Bank of Sudan to own small means of production to craftsmen such as taxis, which is also practiced by the Nasser Social Bank of Egypt. One of the most appropriate projects that Islamic banks can finance using this method is the sale of housing units. In this case, deferred sale (installment) is the appropriate alternative to building advances with interest practiced by traditional banks (real estate banks).

Ninth: Direct Investment Formula

The Islamic bank invests depositors' money by itself or through its dealers by financing their investment operations. If the bank finances projects of dealers, then in this case it is usury of money, and dealers are speculators, and this is called indirect investment. Direct investment is the investment in which Islamic bank owns the project that it is establishing and managing. Islamic banks must have the expertise and skills that enable them to manage these projects, and in the absence of these, they can hire workers, technicians or experts to assist them in this work. The expert body of Islamic banks prepares economic feasibility studies for the proposed projects and ensures that the activity or products do not violate Islamic law, taking into account the return and the service of economic development (Al-Ajlouni, 2017).

RESULTS & DISCUSSION

This section includes the results of the statistical analysis to identify the impact of financing in Jordanian Islamic banks on economic development during the time period 2015-2020. Simple regression analysis was used to test the hypotheses, according to the following mathematical formula:

Yi, t = ai +biXi, t+ei, t
Whereas:
Yi, t: the dependent factor (i) during the period (t.).
ai: fixed segment.
bi: beta coefficient, showing the degree to which the dependent factor (i) has changed as a result of a change in the independent factor (i.).
Xi, t: the independent factor (i) during the period (t.).
ei, t: random error

Islamic banking finance in Jordanian Islamic banks is the independent variable, while inflation, GDP and unemployment are the dependent variables. In order to judge the validity of the regression model used in the analysis to measure the effect of the independent variable on the dependent variable and to rely on the extracted results, this model must provide the theoretical conditions: acceptance or adequacy of the explanatory power of the model represented by the coefficient of determination (R^2) and the modified coefficient of determination) (R-2). And the mathematical conditions: the partial significance of the regression model, using the T-test to test the significance of the regression coefficients for each of the explanatory variables separately at the level of significance of 5%, with the availability of the moderation of the probability distribution of the residuals (that the distribution of residuals takes the form of a normal distribution), and the lack of There is a self-correlation between the residuals, which is measured through the (Durbin-Watson) coefficient test, because the presence of this correlation makes the value of the test statistics greater than its true value and thus bias the model estimates, and the test of homogeneity or stability of the residuals, because the instability of the residuals has the same effects in the case of There is a self-correlation between the residuals, as it makes the value of the test statistics less than its true value, and thus biases the estimates of this model. From all the previous assumptions during the regression analysis of this research to reach more accurate and less biased results for its adoption in measuring the impact of independent variables on the dependent variables. Table (1) shows the distribution of financing in Islamic banks in Jordan on economic activities for the period from (2015-2020)*

Table (1) distribution of financing in Islamic banks in Jordan on economic activities for period (2015-2020)

	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**Average**
Farming	2.1	1.7	2.7	6.4	11.9	25.0	8.3
Industry and Mining	37.0	99.0	47.1	64.4	25.8	93.8	61.18
Public Commerce	521.5	507.3	463.4	468.2	458.2	355.1	462.35
Construction and Housing Sector	478.4	545.5	637.8	748.8	869.3	1018.7	716.37
Transportation Services and Car Financing	222.5	240.2	252.8	754.8	410.1	476.8	392.87
Tourism, Hotels and Restaurants	4.6	5.7	1.8	2.4	8.3	27.8	8.44
Public Services and Amenities	15.7	578.3	595.2	500.9	769.3	640.4	516.64
Other Purposes	91.2	115.2	196.8	195.1	117.0	80.6	132.65

*Source: prepared by the researcher based on reports issued by Jordanian Banks Association (2020) https://abj.org.jo/Default/Ar

It is clear from table (1) that the financing operations carried out by Jordanian Islamic banks during the period (2015-2020) included various sectors, activities, facilities and services. The bulk of this financing was directed to the construction and housing sector, with an average amount of 716.37 million dinars, followed by the public services and utilities sector, with an average amount of 462.35 million dinars, as the rest of the amounts appear in the above table.

The first hypothesis: There is a statistically significant effect at ($\alpha = 0.05$) for financing in Jordanian Islamic banks on inflation.

Table (2) results of linear regression analysis reveal relationship between financing in Jordanian Islamic banks and inflation during the time period (2015-2020)

Table (2) results of linear regression analysis

Independent Variable	t. value	b. value	R^2 value	D-W* value
Finance in Islamic banks	0.425	0.00095-	0.046	1.954

Table (2) results of linear regression analysis reveal relationship between financing in Jordanian Islamic banks and inflation during the time period (2015-2020)

Dependent variable: Inflation * There is no autocorrelation because the value of (D-W) (1.37-2.63), which is statistically acceptable at the 5% level of significance.

Table (1) shows no statistically significant effect at the (5%) significance level for financing Jordanian Islamic banks on inflation during the time period (2015-2020), where the statistical t-value was (0.425), which is not statistically significant at the 5% significance level. , ($0.05 < 0.425$), and this is confirmed by the value (R^2) which shows that financing in Jordanian Islamic banks did not explain only (4.6%) of the changes that occur on inflation and with a sensitivity change degree (very little), (-0.00095) (b) Thus, the study rejects first hypothesis and accepts the alternative hypothesis to become as follows: "There is no statistically significant effect at ($\alpha = 0.05$) for financing in Jordanian Islamic banks on inflation".

Second hypothesis: There is a statistically significant effect at ($\alpha = 0.05$) for financing in Jordanian Islamic banks on the gross domestic product at current prices

Table (3) results of the linear regression analysis reveal impact of financing in Jordanian Islamic banks on the GDP at current prices during the time period (2015-2020)

Table (3) results of linear regression analysis

Independent Variable	t. value	b. value	R^2 value	D-W* value
Finance in Islamic banks	0.160	-0.0035	0.162	2.45

Table (3) results of the Linear Regression analysis reveal impact of financing in Jordanian Islamic banks on the GDP at current prices during the time period (2015-2020)

Dependent variable: GDP at current prices * There is no autocorrelation because the value of (D-W) lies between (1.37-2.63) and it is statistically acceptable at a (5%) significance level

Results shown in table (2) indicate no statistically significant effect at the significance level of (5%) for financing Jordanian Islamic banks on the gross domestic product at current prices during the time period (2015-2020), and this is explained by the non-functional statistical t value (0.160). Statistically at a significance level of (0.05 < 0.160) 5%, and this result confirms the value of (R^2) which indicates that the financing of Jordanian Islamic banks did not explain only (16.2%) of the changes that occurred on the gross domestic product at current prices, with a very low sensitivity , where b amounted to (-0.0035) and based on the previous results; The second hypothesis of the study is rejected and the alternative hypothesis is accepted to become as follows: "There is no statistically significant effect at (α = 0.05) of financing in Jordanian Islamic banks on the gross domestic product at current prices".

Third hypothesis: there is a statistically significant effect at (α = 0.05) for financing in Jordanian Islamic banks on unemployment. Table (4) results of the linear regression analysis reveal the impact of financing in Jordanian Islamic banks on unemployment during time period (2015-2020)

Table (4) results of linear regression analysis

Independent Variable	t. value	b. value	R^2 value	D-W* value
Finance in Islamic banks	0.789	-0.0001	0.014	1.632

Table (4) results of linear regression analysis reveal the impact of financing in Jordanian Islamic banks on unemployment during the time period (2015-2020)

Dependent variable: Unemployment * There is no autocorrelation because the value of (D-W) from (1.37-2.63), and it is statistically acceptable at a level of significance of (5%). Results shown in table (3) indicate no statistically significant effect at the 5% significance level for financing Jordanian Islamic banks on unemployment during the study period (2015-2020), and this is explained by the statistical t value shown in the above table (0.789), and this value is not Statistically significant at the 5% significance level because (0.05 < 0.799), and this result confirms the value of (R^2) which indicates that the financing of Jordanian Islamic banks did not explain only (14%) of the changes that occurred on unemployment, and with a very little change sensitivity, b reached (-0.0001) Based on the previous results, the third hypothesis is rejected and the alternative hypothesis is accepted, to become as follows: "There is no statistically significant effect at (α = 0.05) for financing in Jordanian Islamic banks on unemployment".

Results of the study showed no statistically significant effect of financing in Jordanian Islamic banks on inflation, on GDP at current prices, on unemployment during the study period, and to show the effect of financing in a detailed and accurate manner; We analyzed the impact of financing for different sectors on economic variables, inflation, GDP at current prices, and unemployment, and the results were as shown in the following tables:

Table (5) results of multiple regression analysis detect the impact of sector financing in Jordanian Islamic Banks on Inflation during time period (2015-2020)

Table (5) results of multiple regression analysis

The independent variable is financing the sectors of Jordanian Islamic banks	t. value	b. value	R^2 value	f value	D-W* value
Farming	.421	.231-	.625	.321	2.321
Industry and Mining	.403	.056-			
Public Commerce	.031	.043			
Construction and Housing Sector	.041	.046-			
Transportation Services and Car Financing	.032	.013			
Tourism, Hotels and Restaurants	.821	.023			
Public Services and Amenities	.153	.043-			
Other Purposes	.211	.021			

Table (5) results of multiple regression analysis detect the impact of sector financing in Jordanian Islamic Banks on Inflation during time period (2015-2020)

Dependent variable: Inflation * There is no autocorrelation because the value of (D-W) lies between (1.14-2.86) and it is statistically acceptable at a level of significance of (5%)

It appears from table (4) a statistically significant impact of the financing of Jordanian Islamic banks for sectors of general trade, construction and housing sector, on inflation during the period (2015-2020) as a result of what is explained by the statistical t value shown in the above table (0.031) and (0.041) for the two sectors. Respectively, that is, the direction of Jordanian Islamic banks financing and significantly. While the results indicate that there is no statistically significant impact at the 5% significance level for financing Jordanian Islamic banks in the sectors of agriculture, industry and mining, transportation services and car financing, tourism, hotels and restaurants, public services and utilities, other purposes) on inflation during the period (2015-2020).) as a result of what is explained by the statistical (t) value shown in the table above, which is greater than the significance level (0.05%).

Table (6) results of multiple regression analysis detect the impact of sector financing in Jordanian Islamic Banks on the GDP during the time period (2015-2020)

Table (6) results of multiple regression analysis

The independent variable is financing the sectors of Jordanian Islamic banks	t. value	b. value	R^2 value	f value	D-W* value
Farming	.946	.026	.752	.151	2.135
Industry and Mining	.568	.046-			
Public Commerce	.261	.015-			
Construction and Housing Sector	.142	.046-			
Transportation Services and Car Financing	.278	018			
Tourism, Hotels and Restaurants	.435	.711-			
Public Services and Amenities	.207	.023-			
Other Purposes	.013	.076-			

Table (6) results of multiple regression analysis detect the impact of sector financing in Jordanian Islamic Banks on the GDP during the time period (2015-2020)

Dependent variable: GDP at current prices * There is no autocorrelation because the value of (D-W) lies between (1.14-2.86) and it is statistically acceptable at a level of significance of 5%

Table (5) shows no statistically significant effect at the 5% level of Jordanian Islamic banks financing for the various sectors on GDP during the period (2015-2020) as a result of what is explained by the statistical value (t) shown in above table, which is greater than significance level (0.05%).

Table (7) results of multiple regression analysis detect the impact of sector financing in Jordanian Islamic Banks on unemployment during the time period (2015-2020)

Table (7) results of multiple regression analysis

The independent variable is financing the sectors of Jordanian Islamic banks	t. value	b. value	R^2 value	f value	D-W* value
Farming	.766	.216-	.181	.967	2.654
Industry and Mining	.622	.124-			
Public Commerce	.686	.015			
Construction and Housing Sector	.450	.059-			
Transportation Services and Car Financing	.332	.042			
Tourism, Hotels and Restaurants	.923	.280			
Public Services and Amenities	.523	.025			
Other Purposes	.916	.012-			

Table (7) results of multiple regression analysis detect the impact of sector financing in Jordanian Islamic Banks on unemployment during the time period (2015-2020)

Dependent variable: unemployment * There is no autocorrelation because the value of (D-W) is between (1.14-2.86) which is statistically acceptable at a level of significance of **5%**

Table (6) shows the absence of a statistically significant impact of financing Jordanian Islamic banks in different sectors on unemployment during the period (2015-2020) as a result of what is explained by the statistical (t) value shown in the above table, which is greater than the significance level (0.05%).

CONCLUSION & SUGGESTIONS

Study concludes that Islamic finance is characterized by the fact it is based on profit and loss sharing, and helps individuals and companies to buy real goods and services, and plays an important role in economic development while traditional finance leads to the concentration of wealth, high production costs, an increase in inflation, and is an obstacle to real investment. Islamic banks adhere to the provisions of Islamic Sharia in all their banking transactions and investment activities, justice in the distribution of profits, promoting financing and investment and achieving economic and social development. Islamic banks are an important tool for attracting savings, and Islamic banking finance expands the investment base, due to its adoption of resources to establish investment projects through the methods of speculation and participation and the largest part of financing in Jordanian Islamic banks is directed to the construction and housing sector, followed by the general trade sector, then financing transportation services and financing the purchase of cars. Study showed an increase in the volume of assets in Jordanian Islamic banks during the study period, with positive growth rates, and increase in the volume of financing and investment and increase in the total resources of Jordanian Islamic banks during the period (2015-2020). Study indicates that financing in Jordanian Islamic banks has no statistically significant effect on inflation, gross domestic product, and unemployment.

Study calls for directing financing in Jordanian Islamic banks to real projects, by setting society's priorities and directing financing according to these priorities and activating risky formulas such as participation and speculation, in a way that contributes to achieving goals of Islamic banking and the society's economic goals. Study suggested that Jordanian Islamic banks should provide long-term financing for the various economic sectors, to include the productive sectors that work to increase production and reduce unemployment and distinguish between clients on the basis of financing granted and bias towards production financing. It calls for spreading Islamic banking awareness and highlighting the saving and investment aspect of these banks and the need of banks to direct small and medium enterprises, improve employment opportunities and contribute to alleviating unemployment. Study suggests developing the financial engineering industry and innovating modern financial tools that are in line with Islamic Sharia regulations and contribute to the positive impact on macroeconomic variables.

Study also calls for continuous search of successful investment projects by adopting modern methods in feasibility studies, evaluating projects to ward off risks, and contributing to programs, funds, or investment portfolios, or any way to employ and exploit the excess liquidity in Islamic banks.

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