OPPORTUNITIES AND CHALLENGES FOR JORDANIAN ISLAMIC BANKS

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MASTER THESIS
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Rania Zaki Yousef BARAKAT

Thesis Advisor
Assist. Prof. Dr. Osman KURTER

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Rania Zaki Yousef BARAKAT

Thesis Advisor
Assist. Prof. Dr. Osman KURTER

T.C.
Karabuk University
Institute of Graduate Programs
Department of Banking and Finance
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THESIS APPROVAL PAGE

I certify that in my opinion the thesis submitted by Rania Zaki Yousef BARAKAT titled "OPPORTUNITIES AND CHALLENGES FOR JORDANIAN ISLAMIC BANKS" is fully adequate in scope and in quality as a thesis for the degree of Master of Science.

Assist. Prof. Dr. Osman KURTER ....

Thesis Advisor, Department of Banking and Finance

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Signature :

FOREWORD

I dedicate this work to the thesis supervisor Prof. Dr. Osman KURTER for his help and patience in accomplishing this work, I also dedicate this work to the pure soul of my father, to my beloved mother, to my brothers and sisters, and to my son, the angel Muhammad thank you very much.

ABSTRACT

This study aims to identify opportunities and challenges for Jordanian Islamic banks. Using a descriptive and cross-sectional study was conducted between 01.08.2022 and 31.12.2022, in Amman, Jordan, using online communication tolls and Google models.

Methods: The study population consists of customers who deal with Islamic banks in city of Amman. The study sample consisted of 169 Islamic bank clients who agreed to participate in the research at the time of the data collection. The “Personal Information Form” and the “Opportunities and Challenges Facing the Islamic Bank Questionnaire” were used to collect the data needed for the investigation.

Results: The highest number of participants in the study were between the ages of 41-50, 76.3% were women, 69.2% were high school graduates, 26.6% were employed, 50.9% were somewhat satisfied, It was stated that 66.9 of them have been dealing with an Islamic bank for less than 5 years, 50.9% of them were preferred because of the bank reputation.

It was determined that the male participants in the study had higher scores in the sub-dimension of liquidity and opportunities, those with less than secondary education, and those who were somewhat satisfied with their income had higher scores in the sub-dimension of customer information. Compared to the other groups, the difference was statistically significant ($p \leq 0.05$).

As for the challenges, a significant effect was determined between the challenges in the sub-dimension of law, the banking control system dimension and between the age group. Their income was higher in the banking supervision sub-dimension, compared to the other groups, and the difference was statistically significant ($p \leq 0.05$).

Conclusion: The results of the study showed that the opportunities and challenges facing Islamic banks from the point of view of the customers are affected by variables such as their ages, marital status and education.

Keywords: Islamic Banking; Islamic Banking Opportunities; Islamic Banking Challenges; Jordanian Islamic Banking Sector

ÖZ

Bu çalışma, Ürdün İslami bankaları için fırsatları ve zorlukları belirlemeyi amaçlamaktadır.

Metodoloji: 01.08.2022-31.12.2022 tarihleri arasında tanımlayıcı kesitsel bir çalışma yapılmıştır. Amman şehrinde, Google modellerini kullanarak, çevrimiçi olarak, çalışma popülasyonu, İslami bankalarla çalışan müşterilerden oluşmaktadır. Çalışma örneklemi, veri toplama sırasında çalışmaya katılmayı kabul eden 169 müşteriden oluşmaktadır. Verilerin toplanmasında "Kişisel Bilgi Formu" ve "İslami Bankanın Karşılaştığı Fırsatlar ve Zorluklar Anketi" kullanılmıştır.

Bulgular: Araştırmaya en fazla katılımcının 41-50 yaş arasında değiştiği, %76,3'ünün kadın, %69,2'sinin lise mezunu, %26,6'sının istihdam edildiği, %50,9'unun biraz memnun olduğu, %66,9'unun 5 yıldan az bir süredir İslami bir bankayla uğraştığı, %50,9'unun İslami Banka'nın tercih edilme nedeni olduğu belirtildi. Banka itibarı

Araştırmaya katılan erkek katılımcıların likidite ve fırsatlar alt boyutunda daha yüksek, ortaöğretimi az olanların ise gelirinden biraz memnun olanların müşteri bilgileri alt boyutunda daha yüksek puanlara sahip oldukları belirlenmiştir. Diğer gruplarla karşılaştırıldığında fark istatistiksel olarak anlamlıydı ($p \leq 0.05$).

Zorluklara gelince, hukukun alt boyutundaki zorluklar, bankacılık kontrol sistemi boyutu ve yaş grubu arasındaki zorluklar arasında önemli bir etki belirlenmiştir. Bankacılık denetimi alt boyutunda gelirleri diğer gruplara göre daha yüksek olup, aradaki fark istatistiksel olarak anlamlıdır ($p \leq 0,05$).

Sonuç: Araştırmanın sonuçları, İslami bankaların müşteriler açısından karşılaştıkları fırsat ve zorlukların yaş, medeni durum ve eğitim gibi değişkenlerden etkilendiğini göstermektedir.

Anahtar Kelimeler: İslami Bankacılık; İslami Bankacılıkta Fırsatlar; İslami Bankacılıkta Zorluklar; Ürdün'de İslami Bankacılık.

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ABBREVIATIONS

AAOIFI	**:** Auditing Organization for Islamic Financial Institutions
ABB	**:** Asset Backed Bonds
ABS	**:** Asset Backed Savings
APFI	**:** Association of Private Financial Institution
BCE	**:** Before the Common Era
FIBOE	**:** Faisal Islamic Bank of Egypt
GCC	**:** Gulf Cooperation Council
IFF	**:** Islamic Finance Foundation
IFSB	**:** Islamic Financial Services Board
IIFM	**:** International Islamic Financial Market
KT	**:** Kuwait Turk
KUB	**:** Kuwait United Bank
MSI	**:** Muslim Savings and Investments
NDB	**:** Nasir Social Bank
OIC	**:** Organization of Islamic Countries
PB	**:** Participation bank
PBAT	**:** Participation Banks Association of Turkiye
SPV	**:** Special purpose vehicle
TKBB	**:** Participation Banks Association of Turkiye
UAE	**:** United Arab Emirates

SUBJECT OF THE RESEARCH

The financial sector of any country is considered one of the most important sectors for economic growth, and its importance cannot be overstated. Banks are financial entities that help in mobilizing the savings of the state, and thus act as a partner in economic growth. It also acts as a link between the lender and the borrower.

The financial sector of any country is considered one of the most important sectors for economic growth, and its importance cannot be overstated. Banks are financial entities that help in mobilizing the savings of the state, and thus act as a partner in economic growth. It also acts as a link between the lender and the borrower.

PURPOSE AND IMPORTANCE OF THE RESEARCH

In this research on Islamic banks in Jordan in terms of opportunities and challenges.

METHOD OF THE RESEARCH

The financial sector of a country is one of the most important sectors for its economic growth, and its importance can never be overstated. Banks are financial entities that help in fund collection and investments for the state, thus act as a partner in economic growth. It also acts as a necessity link between the lender and the borrower.

The quantitative and qualitative descriptive method was used in this study. Data were collected via Google Forms, in Amman, Jordan, between 01.08.2022 - 31.12.2022. The statistical sample calculations were performed for the reliability of the study using G-Power analysis. For the 169 participants who agreed to participate in the study, the data collection tools consisted of two parts. Data was collected using a questionnaire that determined the socio-demographic characteristics of people. The second part is the opportunities and challenges facing the Islamic Bank. The first part included 9 questions to determine (age, gender, marital status, educational level, job status, satisfaction with income, banks you deal with, how long have you been dealing with Islamic banking, reasons for choosing an Islamic bank). The second part includes the opportunities and challenges facing the Islamic bank to assess people's viewpoints towards the Islamic bank. The opportunities consist of sub-dimensions (customers' knowledge of Islamic banking services, their satisfaction with banking services, access to strong deposits, liquidity, and the banking system).

It consists of challenges with sub-dimensions (laws, the banking supervision system, and the banking supervision system). A five-point Likert scale was used. The response options were always (5), often (4), sometimes (3), rarely (2), never (1). Higher scores indicate higher opportunities and higher challenges. Alpha coefficients ranged from 0.85 to 0.95. Data obtained from the search were analyzed using the IBM SPSS Statistics 26.0 software package (SPSS Inc, Chicago, IL, USA). Descriptive values were expressed in numbers, percentages, mean, standard deviation, minimum, and maximum. The level of statistical significance would be $p \leq 0.05$.

HYPOTHESIS OF THE RESEARCH / RESEARCH PROBLEM

Islamic laws encourage the owners of capital to invest their money in businesses and make earnings from the operations. Unfortunately, many people may not have sufficient experience in running their business, so they lend their money to people who have more professional knowledge and experience in entrepreneurial activities.

The emergence of banks in Muslim societies, some of which are financially illiterate rush to deal with them since the Association of Muslim Scholars do not prohibit such transactions and allow people to carry out their business with them. Merchants benefit from their commercial dealings inside the country, as well as at the global levels. This prompted many individuals in the Islamic world to deposit their money in the Islamic banks, which increased people’s faith in them belatedly. In retrospect, this study aims to answer questions of what are the opportunities and challenges facing Islamic banks in Amman, Jordan.

POPULATION AND SAMPLE

The study population consists of samples from the Jordanian Islamic bank consumers. The sample was selected from the general population based on the scientific principles adopted in the literature of scientific research.

SCOPE AND LIMITATIONS

This study used scientific methodology to include cross sections of the Jordanian people who was customer of the Islamic banks and lived in Amman. In order to get an accurate result, the researcher attempted to be as inclusive as possible, none the less it was difficult to include every segment of the population. That is why the research is limited to the study sample, the results cannot be overgeneralized, and its results are based on the self-reports of the participants.

1. INTRODUCTION

It's likely that the world's earlier merchants were the first archetypal banks. They provided financial assistance to farmers and merchants so that they could purchase food and transport it from one city to another. Around the year 2000 BCE, these types of transactions happened in the regions of greater Mesopotamia, Egypt and China. In later-eras in Greece and Rome, temple-based bankers were responsible for providing loans, accepting deposits, and conducting currency exchanges. Ancient Chinese and Indian artifacts reflecting evidence from this time period also have the potential to include traces of financial loan activity as well (Ahmed, 2022 & Cetorelli et al, 2012).

When people began to focus more on farming than hunting and gathering some 12,000 years Before the Common Era (BCE), economic stability began to spread throughout the whole planet. According to Macesich (2000), the earliest traces of social and economic change appeared in the Fertile Crescent around 10,000 BCE, in northern China around 9,500 BCE, in Mexico around the year 5,500 BCE, and in the eastern United States around 4,500 BCE.

According to Singh (2015), two of the first types of money that were used for the purpose of trading date back to about 9000 BCE. These kinds of money were grain money and animal money. The beginning of the systematic movement of the material may date back to the ninth millennium BC, while the process of using the so-called Anatolian obsidian, which is considered one of the raw materials used for all tools in the Stone Age, can be traced back to approximately twelve thousand and five hundred BC. One of the four primary areas in the Mediterranean region that was utilized for the mining of obsidian was the island of Sardinia. In the third millennium BC, trading in copper and silver eclipsed obsidian (Pollard and Carl, 2008; Bintliff, 2012; Ioannidou et al, 2022).

Artefacts like "bulla" thought to have been used for safekeeping records of agricultural product counts and other timely valuable things such as tokens were found in excavations conducted in the Near East between the years 8000 and 1500 BCE. In the latter part of the fourth century, people living in palaces and temples started utilizing mnemonic symbols to keep track of the food supplies that they had. Around 3200 BCE, the first records of commercial activity and monetary exchange were created. After 646 BCE, under the Achaemenid Empire, more evidence of banking practices in

Mesopotamia is unearthed (Khan, 2013; Robinson, 2009; Williams, 2010; Liverani, 2013). According to Angus Armstrong, the "Code of Hammurabi," which was penned on a clay tablet about the year 1700 BCE, details the regulations that applied to financial activities throughout the civilization (Armstrong, 2013; Barmash, 2020

By the fifth millennium BCE, some Sumerian communities, like Eridu, had developed their own central temples. Societies initially began establishing in urban regions about 5th century AD, providing the framework for the eventual construction of governmental buildings, hospitals, and other types of public services. According to Amelie Kuhrt, Tell Brak and Uruk were two of the first examples of urban centers (Kuhrt, 2020).

According to Chahin (2013) and Stevens (2006), the origins of banking may be traced all the way back to the antiquity. According to Luhmann (2005), the earliest evidence of it goes back to the fourth millennium BCE, and it continues through the third millennium BCE. Davies (2002) discovered that there is evidence in the Code of Hammurabi that interest was charged on loans made prior to the reign of Sargon I, the King of Akkad (2335-2280 BC). Commercial activities were restricted to the area immediately surrounding the temples of each city-state during the Babylon rein. Moorey (1999) and Beaudreau (2004) note that at the time in question, it was against the law for people of the surrounding areas to engage in any kind of economic activity with the other areas (Moorey, 1999; Beaudreau, 2004).

In 2000 BCE, depositors of gold in Babylonia were required to pay fees equal to up to one-sixtieth of the quantity deposited. It is widely recorded that the riches of the temple were used for lending and issuing loans, while the evidence implies that the same thing happened at the palaces, albeit to a lesser level. The loan was returned after the harvesting season, and the seed grain served as the security for the transaction. Clay tablets were used to record the fundamental social agreements, notably the agreement about the earning of interest. People continued to have a habit that they did when money was available, which was to deposit it and then store it in the name of the person depositing the money inside the temples, and the situation remained like this until the year 209 BC, and this was explained in detail in the Book of Antioch's plundering of the temple of Aine at Ecbatana (Media) for gold and silver in that same year (Bromiley, 1979; The British Museum, 2012; Aperghis, 2004; Holm, 1895).

More evidence of these activities may be found in the Hammurabi Codes, which was commissioned by the Babylonian ruler between the years 1792 and 1750 BCE. In order to comply with the requirements of Code 100, creditors and debtors were required to adhere to a repayment plan and maturity date that was agreed upon in writing. Hammurabi Code 122 states that any gold, silver, or other valuables that were placed with a banker were required to be submitted to a notary together with a signed contract of bailment. Law 123 states that the bank was relieved from obligation under the contract of bailment if the notary disputed the presence of the contract. Law 122 also states that the bank was released from liability under the contract of bailment if the notary denied the existence of the contract. Law 125 mandates that financial institutions were to be held liable for the complete replacement of any deposits that were lost or stolen while in their custody. Hammurabi Code 124 also ensures that depositors would get their entire value any hindrance (Powell, 1996).

There is evidence in the form of cuneiform writings that the house of Egibi conducted business in Babylonia beginning about the year 1000 BCE and continuing until sometime during the reign of Darius I. These documents provide evidence of the existence of a "lending house," often known as a family company that conducted banking and commercial activities identical to those of a contemporary banks and other financial activities. There's also the potential that the family company might be better understood as an entrepreneurial endeavor rather than a banking one if given the choice. According to Thatcher (2004), Bennedsen et al (2008), and Dandamaev and Lukonin (2004), it would indicate that members of the Murashu family were involved in the attribution processes (Thatcher, 2004; Dandamaev and Lukonin, 2004; Bennedsen et al., 2008).

Agricultural communities of the fourth millennium also began to develop administrative roles (Sagona and Sagona, 2004; Steadman and McMahon, 2011). The Artemis Temple at Ephesus was the largest and most important storage facility in all of Asia. During the excavations that took place in 1904 at the British Museum, a cache of vessels dating back to the sixth century BCE was discovered. During the pause in fighting during the First Mithridatic War, the Council cancelled all outstanding debts. Marc Anthony has been accused of stealing money from the bank accounts ona few different instances. It is said that Aristotle, along with a group of people, including Caesar, in addition to Dio Chrysostomus, and who also had Plautus, Plutarch, and

Strabo, in addition to Xenophon, all resided inside the temple, according to sources like as Murphy-O'Connor (2008) and Skjönsberg (2019).

The construction of the Apollo Temple at Didyma took place around the sixth century. It is believed that In about 1750 BCE, King Croesus obtained the large quantity of gold that he deposited at the time by taking out loans in ancient India during the Vedic period. An instrument known as an Adesha was used in later periods, namely during the Maurya dynasty (321-185 BC). An adesha was an order on a banker to pay money of note to a third party, and it was practically the same as today’s money order, bill of exchange and personal or business checks. According to Irapta (2005) and Kaur (2023), during the time of the Buddha, letters of credit were a common method of doing business among merchants in larger towns of India.

During the Qin Dynasty (221-206 BC) in China, standardized coinage was adopted. This made it possible for foreign trade to be conducted more easily and eventually led to the invention of letters of credit or money order. These letters were issued by merchants who performed a job like today’s banks in the contemporary world. In addition, there was a financial institution in the ancient Egypt that was known as the Egyptian Grain Bank. This institution grew to the point where it could compete with the greatest banks of today in terms of the number of branches that they had, the size of their personnel, and the number of transactions that they processed. During the time when the Greek Ptolemies were in control of Egypt, the granaries were transformed into a banking system, with Alexandria serving as the central location. This system kept centralized data for each and every one of Egypt's regional grain banks. This how one of the earliest state central banks was founded, and Greek bankers were instrumental in its creation (Irapta, 2005; Kaur, 2023).

According to Muir (2008), the two primary types of financial institutions that could be found in Egypt during Ptolemaic Kingdom were private and public banks. According to Clarysse and Thompson (2006), the documents that were found belonged to a bank and were intended to offer evidence of banking services to the authorities that oversee tax issues. It was the first time that financial dealings were recorded in writing form. The letters of Demosthenes contain several expressions of thanks written to various people. In his work On Revenue, which was written about 353 B.C. and published around the same time, Xenophon is credited with making the first recommendation for the formation of what would come to be known as a bank of notes finance (Millett, 2002; De Soto, 2006).

Many historians believe that the origin of the contemporary banking system can be traced back to Italy during the Renaissance and the Middle Ages, namely to the cities of Florence, Venice, and Genoa. The houses of Bardi and Peruzzi were extremely influential in the banking profession in Florence throughout the 14th century. These results are from a study done by Studycorgi (2021) (Padgett, 2012 & Trivellato, 2020) The Medici Bank, which was founded in 1397 by Giovanni de Medici, is often considered to be the most prestigious financial organization in all of Italy and Europe during the Renaissance era.

The oldest bank in the world is the Banca Monte dei Paschi di Siena, which has been operating in the same location in Siena, Italy, without interruption since 1472 (Farooq, 2009). A bank called Banco di Napoli located in the city of Naples, which is located in Italy, was established in 1463, and continued to operate right up until the year 2002 (Goldthwaite, 1995).

During the 15th and 16th centuries, banking industry spread to the northern Italy, from there to the Holy Roman Empire and then to the northern Europe. This expansion occurred in three stages. According to Frost et al (2019), the Dutch Republic in the 17th century witnessed several significant financial and political advancements. These advancements and taking the central role in banking industry were taken over by In Britain, within the city of London, between the eighteenth century and the twentieth century, advances in technology and communication made it possible for banks to grow not just in terms of their overall size but also in terms of their geographic reach. During the global financial crisis in 2007 and 2008, some of the largest banks in the world filed for bankruptcy protection, which sparked a critical debate regarding the rules governing banks (Shamail et al, 2005).

1.1. Introducing Islamic Banking

Banking or financial activity that complies with the Sharia, the Islamic law, and its practical implementation via the progress of Islamic economics is referred to as Islamic finance, which is also known as Sharia-compliant financing. Ijara (rental), Mudaraba (profit-sharing and loss-taking), Wadiah (conservation), Musharaka (joint venture), and Murabaha (additional cost) are some of the Islamic banking and finance systems that are currently being practiced (Hanini et al., 2021).

Although some Muslims question whether there is an agreement that interest is akin to usury, the Islamic legal code, known as Sharia, forbids usury, which is defined as the practice of charging interest on loans of any kind (Foster, 2009; Farooq, 2008). Investing in companies that provide goods or services that are in conflict with Islamic beliefs, such as selling pork or alcohol, is also deemed haram or "sinful and forbidden" (Hanini et al., 2021).

In the past, Muslim countries and societies have historically implemented these restrictions, albeit to varied degrees, in an effort to stop practicing of things that are not Islamic. In the latter half of the twentieth century, as part of the larger resurgence of Islamic identity as a whole, a number of Islamic banks were founded in order to apply these principles to private or semi-private business firms inside Muslim countries. This occurred as a direct result of the resurrection of Islamic identity as a whole. In 2009, there were more than 300 banks and 250 mutual funds globally that adhered to Islamic principles; by 2014, about $2 trillion assets owned by those institutions was Sharia-compliant (Shah and Rashid, 2018). As their number and scale steadily rose, they reached a position where they were more able to conform to Islamic standards (Shah and Rashid, 2018).

Most of the world's Sharia-compliant financial institutions may be found in the countries of the Gulf Cooperation Council (GCC), Pakistan, Iran, and Malaysia. Roughly one percent of all global assets are held by these establishments. Since its establishment, Islamic banking has consistently outpaced the overall growth of conventional banking assets. The Islamic renaissance was considered one of the very clear signs, given that its style, methodology, and methodology in general follows Islamic and divine guidance in general, and it also carries out a process through which the hegemony of European countries over various sectors, including the economic sector and the political sector, is rejected. It implements a policy that prevents unemployment, and prevents inflation in general, in addition to significantly reducing excessive interest However, banking services of an Islamic nature were and still are constantly under attack for several reasons, including the failure of the bank to develop a process through which profits and losses are shared within the bank, and the products of Islamic banks are considered very few industries, because these industries are available It has many specifications, the most important of which is that it must be compatible with the special process required by Islamic law, and the elimination of interest, in addition to the costs that are considered high and the large risks that they are exposed to and are considered much higher than traditional banks and they do not promote it instead (Alharbi, 2016; Gelbard et al, 2014). This has continually been the point of contentions and criticization (Alharbi, 2016; Gelbard et al, 2014).

A financial system founded on Sharia/Islamic law principles and its practical implementation via the development of Islamic economics is referred to as Islamic banking. Islamic banking is also known as participatory banking. Both names relate to the same thing. The Sharia prohibits paying or accepting interest fees for loans of money known as riba or usury, for specific terms. In addition, the Sharia forbids investing in businesses that provide goods or services that are considered Haraam. Some examples of these types of businesses include establishments that sell alcohol or pork as well as establishments that produce media that is in opposition to Islamic values (Banaji, 2007).

The application of these Special ideas for institutions that provide banking services in a commercial manner, in a private or close-to-private manner within the Islamic community did not begin until the latter half of the 20th century, when many Islamic banks were created. These banks are an example of how these ideas may be used. In spite of the fact that these principles had in the past laid the groundwork for a prosperous economy, it wasn't until that time that a number of Islamic financial institutions were founded. Some scholars think that throughout the seventh and twelfth centuries, the Caliphate supported the development of an early sort of market economy as well as an early kind of mercantilism, which they refer to as "Islamic capitalism." Other academics disagree with this theory and feel that the Caliphate did not have a role in the economic development of the region. According to Olad (2012), At the beginning of the 13th century, many of these early capitalist notions were refined and adopted across the remainder of medieval Europe (Olad, 2012).

Small savings banks that advertised themselves as being "interest-free" were among the first Egyptian financial organizations to start operating in 1963. The vast bulk of their financial resources were put into businesses and industries that dealt in goods and services. The banks were more like savings and loan organizations than they were to commercial banks in the sense that depositors were given a part of the earnings that borrowers made. Commercial banks, on the other hand, did not have this feature. In 1974, a collection of Muslim nations that had joined together to form the Islamic Development Bank established an international financial organization with the intention of sponsoring development projects in its member nations. This organization was given the name Islamic Development Bank (IDB), and it was given this name because it had the objective of financing development projects in its member nations. According to Olad (2012), starting in the late 1970s, a significant increase in the number of banks in the Müslim countries that publicly conformed to Islamic principles could be seen (Olad, 2012).

Within Jordan's flourishing banking and financial industry, came the first banking services, which was further developed throughout time. Currently, a variety of financial institutions can be found in Jordan. The decade of the 1980s saw the implementation of numerous different changes that were made with the goal of enhancing the overall performance of the banking industry. According to Saleh and Zeitun (2006), the fact that Muslims make up the majority of Jordan's population, which totals somewhere in the neighborhood of 6 million people, is the single most crucial reason supporting Jordan's participation in the expansion of Islamic banking (Saleh and Zeitun, 2006).

Ninety-two percent of Muslims want to acquire financial services that are morally upstanding, give fair returns, and they provide all the banking services for a competitive price. This is something that Muslims aim to achieve in Jordan. After waiting for a long time, the nation was finally ready to embrace the Islamic financial system in its entirety and put it into financial equation. This was achieved; finally, when the circumstances were favorable. It has been more than twenty years since the first Islamic financial institution in Jordan, known as the Jordan Islamic Bank for Investment Finance, was established in 1978. More than 50 years of has elapsed since Islamic banking was first introduced in the nation. Since then, there has been an increase in both the number and the size of Islamic banks in the country, which may be largely ascribed to the creation of organizations such as the Islamic International Arab Bank. In addition, there has been a rise in the percentage of the country's population that adheres to the Islamic faith. According to Saleh and Zeitun (2006), the Islamic Arab Bank was the organization that was responsible for the establishment of both Islamic Jordan Insurance and Islamic Investment House (Saleh and Zeitun, 2006).

1.2. History of the Emergence of the Islamic Bank

According to historical writings produced in this topic at the time of the arrival of Islam, such as Ibn Sa'd’s work Al-Tabaqat Al-Kubra, it is possible that some kind of Islamic finance existed as early as 600 AD, the first century of Islam. Ibn Sa'd revealed a few old-school financial practices that are very similar to those are used currently in Islamic finances (Omar, 2001). Al-Zubayr ibn al-Awwam maintained across the Islamic Empire several branches where deposits could be returned to their rightful owners. Some contemporary academics refer to this collection of locations as the Bank of Zubayr (Alharbi, 2016).

In addition, during the reign of Marwan ibn al-Hakam, the fourth Umayyad caliph, 8th century AD, sukuk al-qaeda was often used as a method of payment for military and governmental officials. This occurred during the time period in which Islam was originally established. According to (Chachi, 2005; Agustin) Al-Ali (2002), Al Hallaq et al (2019) and Sitompul et al (2021), bankers are also referred to as cashiers, sariba, the singular of "money changer", or Jahabadha for pularal form. The banks of the Islamic Empire at that time were referred to by the name Daween Al-Jabadhah (Alharbi, 2016).

During the time of the Abbasid caliphs, beginning in the eighth century, the name "Sarafin" was used to refer to financial officers, coin specialists, skilled money-minders, treasury tellers, government moneychangers, and collectors. It was also used to denote the prominent and authorized commercial bankers of the time. As a direct consequence of this, the first check in human history was penned by the Emir of Aleppo, Saif al-Dawla al-Hamdani, and drawn by a cashier in Baghdad in the ninth. The value of the check was one thousand dinars (Alharbi, 2016).

Banks came into existence as a direct result of the prosperous economic activity that occurred throughout the Abbasid Dynasty, which lasted from 750 to 1258 AD. These banks receive their funding from the profits that they made from activities such as currency exchange and currency valuation as well as lending. Additional money came from deposits made by members of the general public and the government. There were governmental banks and private banks in existence at the time. In the past, this fund was formed to repay government loans that were backed by government tax receipts (Arefin & Muhammad, 2021; Alharbi, 2016).

In the year AD 300, during the reign of al-Muqtadir, two Jewish banks and a merchant named Yusuf ben. Pinkhas and Harun bin Omran set up a bank to provide loans to the government (150,000 dirhams at the beginning of each month), and in return, they collected the tax revenues of the Ahwaz region. This was the first state bank to be established in the region. This indicates that they will get a sum that is more than the principal, and the difference between the two amounts is not considered interest but rather an administrative charge. It is important to take into consideration that the bank has been in business for the last 16 years (Venardos, 2012; Alharbi, 2016).

Muslims also established banking schools to teach the industry's rules and regulations. As a result, it can be stated that the Islamic Empire had a well-developed financial system, and Muslims made significant contributions to the development of banking practices. During the Islamic Empire, there was a legislative system that included strict rules and regulations to govern all transactions. In addition to a strong judicial system capable of enforcing all the legitimacy of contraction, there were also various types of widely circulated commercial papers and banknotes, such as bills of exchange (suftaja), and deeds of goods. Licensed bankers who have offices or agencies in various parts of the Islamic Empire and accepted deposits, allocated debt (hawala), exchanged money, issued banknotes, and performed many other services beginning in the twelfth century, during the fall of the Islamic Empire. Several internal and external factors can be attributed to the loss of power within the community of these Islamic banking practices (Ökte, 2010; Grice-Hutchinson, 2016; O'Sullivan, 2019).

In the nineteenth century, following the collapse of Ottoman Empire, the only representative of Muslim faith at that time, many Islamic countries began to adopt the Western banking model due to the European influence on the global financial sector. This began with the establishment of foreign bank branches or the establishment of banks within countries. In Egypt, for example, the first conventional bank, known as Bank of Egypt, opened its doors in 1856. This was a branch of an English bank that closed its doors in 1911. The National Bank of Egypt was later founded in 1898 by a

Jewish businessmen Ralph Izaac Suarez from today's Izmir/Turkey, Constantine Salvagos who was a Greek investor and an English Banker named Sir Ernest Cassel. The bank is still currently in business and operational today (Nasser, 1996).

Egyptian Dr. Ahmed Abdulaziz al Naggar is the person credited for founding the modern Islamic banking system. Dr. Naggar, who obtained his PhD in Germany following WWII, studied the interest free savings and co-operative Raiffeisen banking system extensively during his education (Kurter, 2020). Established by the scientist Friedrich Wilhelm Raiffeisen in the period between one thousand eight hundred and eighteen to the period one thousand eight hundred and eighty-eight, who mayor to a large number of villages in a county called Westerwald in Germany in the period before the First World War, where a strong banking system was established and is considered similar For the banking model currently used in microfinance. Where this system was providing assistance through many small institutions and providing assistance to farmers in their work and in their struggle for their continuity in work, and they also established many charitable cooperatives without applying the use of interests and applying exhausting fees (Groeneveld, 2018).

The first Islamic bank named Mit Gahmr Savings Bank was established in a small-town called Mit Gahmr located about 90 km north of Cairo on the delta of Nile River by Dr. Ahmed Abdulaziz al Naggar in 1963. Although the bank closed its doors in 1967 for various reasons, one of the most important being the socio-political issues Egypt was facing at the time, Dr. Naggar and its banking blueprint became a model for Islamic banks throughout the Muslim world. In fact, Dr. Naggar was instrumental in founding many Islamic banks in many countries such as Islamic Development Banks in Saudi Arabia, The First Commercial Bank of Islam in UAE, Dubai Islamic Bank in Dubai, Kuwait Finance House in Kuwait, Faisal Islamic Bank of Egypt (FIBOE) in Egypt as well as Faisal Islamic Bank of Sudan in Sudan (Kurter, 2020).

With the help of Dr. Naggar, Dubai Islamic Bank was founded in 1975. Since then, the number of Islamic banks has increased dramatically around the world, and many of the banks founded in the early 1970s and 1980s are still in operation today. Furthermore, the global market for Sharia-compliant assets reached $2 trillion in 2014, with banks accounting for roughly 80% of the assets, sukuk accounting for 16%, funds accounting for 4%, and takaful accounting for 1%. (Wani et al, 2021; Alharbi, 2016).

According to Islamic Banking Trends in Europe and North America, the number of Muslims in Europe and North America in 2010 was estimated to be 47 million, accounting for approximately 10% of the population (Islam and Karim, 2019). According to the Pew, Muslim population will increase and account for 10.2% of the total population in 2030, or 67 million people (Antúnez, 2016).

In tandem with the global trends, Islamic finance began to develop in Europe in the late 1970s, and many European financial axioms saw it as a profitable opportunity to start a new business in this market. Dar Al-Maal Al-Islami Trust, meaning "House of Islamic Funds," was incorporated in the Commonwealth of the Bahamas on July 27, 1981, but its headquarters are in Switzerland, and the group's head is Saudi Prince Mohammed Al-Faisal (Alharbi, 2016; Shalhoub, 2017)

1.3. Islamic Financial Principle

It is very important for Muslims to have access to financial instruments and transactions that do not include usury, interest payments, or gambling in any way. The holy Qur'an, Sunnah, the words and acts of the Prophet Mohammed (PBUH), Ijma, the scholarly consensus of ulema, and Qiyas, the deduction by analogy, are the primary sources of knowledge, and the fundamental structure of the Islamic financial principles is based on the fair distribution of costs and benefits. The foundation of these principles is Islamic law, often known as "shariah." Islamic finance is also known as "shariah-compliant finance." As a result, Islamic Banking and Finance rules or Fiqh is a secure system on account of Shariah and its many interpretations (El-Gamal, 2006).

The term "Islamic Banking System" refers to a financial framework that incorporates financial institutions that adhere to the principles of Sharia, often known as Islamic law. Even while Sharia law allows for the sharing of profits in the operation of banks, it does not allow for the payment or receipt of interest on any transaction, and it mandates that all financial dealings be conducted in a manner that is permitted or halal (Salleh and Hassan, 2004). The distinguishing characteristics of Islamic finance may be attributed to its tenets, which can be summed up as the following guidelines.

1.3.1. Usury (Riba) is Prohibited

The borrowers' payment of fixed interest rate to the creditor increases the lender's wealth. Above the asset's fair market value, without any regards to profit or loss consideration, a pre-prescribed set money earning is considered riba, and it is not allowed in Islam. Riba is sometimes translated as "interest" due to its common use, referring to any kind of non-commercial activities related growth, such a loan or advance, and is therefore synonymous with usury. According to Siddiqui's article, " Problems and Prospects of Islamic Banking and Finance," the research that follows Islamic finance back to its origins over four decades ago a borrower who takes out a loan with interest must repay the lender more than he initially borrowed amount (Siddiqui 2006).

1.3.2. Uncertainty (Gharar) is Prohibited

Gharar may come about as a result of ambiguity in the contract or a lack of clarification about the object's existence, ownership, deliverability, availability, or natural form. Both of these factors may contribute to the lack of clarity. It is possible that it may result in an unfair gain for one party or an unexpected loss for the other side, both of which are prohibited in Islam. Because items like "the birds in the sky or the fish in the water," "the catch of the diver," and "the unborn calf in its mother's womb" are not allowed to be traded. Prophet Mohammed's hadiths forbids gharar, which includes futures contracts and options (El-Gamal, 2001).

1.3.3. Partnership Agreements (Profit and Loss Sharing)

In order to build a business that is compliant with Shariah law, one or more people may decide to engage into a contract known as a Mudaarabah or Musharakah. This will allow them to combine their resources and abilities. A predetermined formula is used to decide how much of any profit is given back to the company's investors. However, the magnitude of a loss is proportional to the quantity of cash that was initially invested as well as the level of risk that was accepted (Hassan and Lewis, 2009). Traditionally, this type of contract has been used to finance medium and long-term fixed assets and working capital (Van Greuning and Iqbal, 2008).

1.3.4. Leasing (Ijarah)

Because of the facility and asset used, Ijarah is frequently preferred by Islamic Finance donors. Lessor receives periodic rental payments from lessee on behalf of asset use as a result of renting lesser (Ameer and Ansari, 2014).

1.3.5. Investment Certificate or Bond (Sukuk)

Sukuk are a kind of financial security that may be established on the basis of a diverse variety of agreements. They are able to be issued by a number of different bodies. Musharakah is yet another alternative to sukuk al-ijarah, which is the most common kind of ijarah funding; nonetheless, musharakah is an option that might also be re-invested to earn returns on fixed-income investments. The return structure of equity-type sukuk provides investors a participation in the issuer's profits and losses. The return structure of revenue-sharing sukuk is similar to that of a revenue-sharing agreement. The payment profile of sukuk is intended to match that of interest-bearing bonds in the conventional financial systems. Sukuk are designed to operate on a payment schedule that is similar to that of revenue-sharing bonds. Investors and business owners are able to divide the earnings from a single firm, such as a mining operation, among themselves when that enterprise makes use of the sukuk financial instruments. The holder of the Sukuk has full ownership of the asset or almost full possession of it. It is essential to have this discussion regarding the best way to establish an Islamic monetary system. Legislators in Azerbaijan are looking at the possibility of incorporating Islamic finance into the country's existing banking and other laws, despite the fact that there are no regulations in place currently. The Central Bank of Azerbaijan (CBA) has begun to educate itself by studying the errors that were made by other central banks when they initially adopted the Islamic financial systems (Bongaerts and Schoenmaker, 2020).

Turkey, the United Kingdom, and Malaysia are a few examples of the nations that fall within this category. Even while it is not quite obvious whether or not there is a market for Shariah-compliant products, some new competitors, such as the Kauthar and Nikoil banks, have made an effort to provide customers with these kinds of items. Profit Loss Sharing (PLS) is the overarching concept that serves as the basis for Islamic finance, as it will be reviewed in Chapter 3. The implementation of this technique is made possible thanks to two concepts of Islamic finance known as musharakah and mudharabah. Islamic Finance is in a better position to make effective use of its resources as a result of the selection of investment portfolios that have been evaluated based on how productive they are, and how much return they are anticipated to generate. As a sign of the rising interest in Islamic banking, a growing number of well-known conventional banks are establishing as what they call "Islamic Windows" to sell goods originating from countries with an Islamic tradition (Bongaerts and Schoenmaker, 2020).

1.4. Islamic Finance Products

1.4.1. Musharakah

The Arabic word sharaka, from which we get the word musharaka, means "participating cooperatively." It may refer to a partnership between two companies or between individuals who operate together. This is a term that refers to a commercial arrangement in which two or more persons engage into a contract and trade with one another so that they may divide the firm's earnings and losses in a fair and equitable manner. The rules of musharakah govern how the profits from joint enterprises are distributed, while the financial contribution of each partner decides how the losses are distributed among the partners. According to Abdul-Rahman, (2014), the term "Musharakah" may be understood to signify "sharing." Evidence from the Quran and the Sunnah, as well as the general agreement of the scholars, lend credence to the musharakah allowance. There is some evidence in the Quran supporting the acceptance of partnership ideas, such as:

- “But if they are more than two, they share a third” (4:12)
- Many associates oppress one another, except for those who believe and do righteous deeds, and few are they" (38:24)

We can see from the verses of Holy Quran; Allah didn’t prohibit coming together and contributing to good deeds with one another.

It is a given that the Holy Sunnah supports the legitimacy of musharakah, which brings us to our next point. Abu Hurayra (may Allah be pleased with him) is the one who is credited with reporting that the Prophet (PBUH) said, "Allah says: I am the third [partner] of the two partners as long as they do not betray each other," and this was reported by the Prophet (PBUH). I will leave the partnership as soon as I see that one of them has betrayed the other according to what Abu Dawood related in the Sunnah.

Doing commercial transactions with Musharakah is sanctioned by Ijma, and Muslim jurists agree on the validity of partnership where each partner contributes capital in dinar or dirham and co-mingles the two capitals to form a single property which is indistinguishable. Partners would sell and buy what they see as profitable for the business, and the earnings will be distributed between them while the deficit will be borne together as well as prescribed. According to Ibn al-Muthir and al-Ijma, Muslims should steer clear of doing business with financial organizations that are motivated by interest and instead search for organizations that are committed to adhering to Shariah law in order to ensure the security of their assets. It is crucial to form joint ventures between Muslim company owners and Islamic Financial Institutions in order to establish a safe environment, which is important for the reasons of religious satisfaction as well as for the wellbeing of the business.

1.4.2. Mudarabah

Mudarabah is a type of transaction involving a capital provider (rabb al-mal) and a businessman as the executive partner (mudarib), with the latter providing financial funds for investment purposes (Alkassim, 2005; Abdul-Rahman, 2014). Profits are divided at a predetermined ratio based on negotiation (Abdul-Majid et al., 2009; Musse, 2016).

Mudarabah is defined as a type of partnership between the person who contributes capital and the person who contributes effort in the form of management skills, knowledge, or labor. Investor, provider of capital or inactive partner has no serious role in the control and management of the business, and it is only seen as monitoring the investment and business procedures without getting involved with the operation (Yaqub and Bello, 2012). Meanwhile, all staffing and management teams have been implemented by the business partner with complete control over the operation (Zaher and Kabir Hassan, 2001).

There is no clear evidence in the Qur'an to support the permissibility of speculation in business practices. According to the hadeeth, "there is a blessing in three transactions: credit sales, silent partnership, and mixing wheat and barley for the home rather than for trade." According to Islamic law, everything is permissible until it is made illegal or haram, so the source of speculation is now legitimate, with no evidence of invalidity (Zaher and Kabir Hassan, 2001).

1.4.3. Dwindling Musharakah

This form of partnership allows for equity participation and profit sharing on a pro rata basis, as well as a method for the bank to continue reducing its equity in the project, eventually transferring ownership of the asset to the participants. The contract provides for payment in excess of the bank's profit share for equity held by the bank. Simultaneously, the entrepreneur buys some of the bank's equity, gradually reducing it until the bank has no equity and thus no longer serves as a partner (Almutairi, 2010).

1.4.4. Ijarah

Ijarah is derived from Arabic and means "renting something out." As the definition suggests, an asset is given to be leased out for rental purposes. After the contract expires, the arrangement of ijarah can be shifted to the sale of an asset to the lessee at the end of the period. According to (Obaidullah and Latiff, 2008), ijara refers to the leasing or renting of a physical asset which may be translated as renting labor force too (Obaidullah and Latiff, 2008; Santoso and Anik, 2015).

Ijarah is valid in Islamic religion, as evidenced by the Holy Quran “The best one you can hire is the strong and the trustworthy." (Obaidullah and Latiff, 2008; Santoso and Anik, 2015). Proof supported by hadeeth that was reported from Ibn Umar (may Allah be pleased with him) and narrated by Ibn Majah that employers are ordered to "pay the hired worker his wages before his sweat dries." There are several requirements for the implementation of Ijarah Financing:

- Halal, the permissible use in Islam, such as sale, and purchase of some assets should be targeted. A house, car, or machines are all examples of ijarah subjects.

- The assets must exist during the setting of the ijarah contract; if the assets are not available at that time, the contract cannot be set up.
- A person cannot lease any assets or property in a non-Islamic manner or purposes; the subject must be used in permissible activities.

The contract’s expiration date must also be set for a predetermined future date (Santoso and Anik, 2015).

1.4.5. Sukuk

The term "certificate," which is translated from the Arabic word "sukuk," first became in use in the Islamic Financial Sector in the early 1990s. This phrase was used to signify return-paying financial derivatives as well as Islamic securities that are utilized for the development of capital. Sukuk could be organized on the concepts of ijarah, mudarabah, or musharakah. These certificates of investment are issued to assist trade and the creation of tangible products. They are comparable to bonds and stocks and are issued for this purpose. Similar to bonds, sukuk are issued with a maturity date and pay interest to the holders up to that day. For bonds, on the maturity date, the holders get a final balloon payment. Sukuk, on the other hand, are asset-based rather than asset-backed securities, and the asset that they are based on must be both in nature and usage accordance with Shari'a law in order for them to be issued. For a sukuk to be issued, there must first be an asset, service, or project that already exists, or is clearly specified and whose ownership can be validated by a third-party organization operating independently. It is possible that holders of sukuk may be responsible for costs associated with the asset, and the sale of sukuk will constitute the transfer of ownership of the asset. Bonds, on the other hand, are simply financial obligations that are issued in the form of debt in order to finance any kind of activity. The value of a bond is determined by the issuer's creditworthiness. The price of a sukuk might fluctuate depending on a multiple of variables, such as the issuer's trustworthiness and the value of the asset that the sukuk is backed by. Additionally, it renders the establishment of a secondary financial market difficulties (Alkhan, 2006).

The Islamic financial sector was the first place where sukuk, which literally translates to "certificate," was introduced in the early 1990s. This phrase was selected to denote Islamic securities in addition to capital-forming financial derivatives that pay interest. Ijarah, mudarabah, and musharakah are all conceivable legal underpinnings for a sukuk. These investment certificates, which operate in a manner analogous to that of bonds and stocks, are issued with the intention of encouraging commerce as well as the manufacture of physical goods. Sukuk, which are similar to bonds, have a maturity date and continue to accrue interest until that day, at which point the principal is returned in one go. Sukuk are not asset-backed; rather, they are asset-based, and the asset upon which they are based on has to be in accordance with Sharia law in both its nature and its usage in order for them to be issued. The issuing of a sukuk necessitates the existence of a real or well-defined asset, service, or project, the ownership of which must be able to be verified by an independent third party. The buyer of a sukuk runs the risk of being held responsible for costs that are immediately associated with the asset that is the subject of the sale because of the nature of the ownership transfer that takes place when a sukuk is sold. Bonds are issued only as financial obligations to fund any activity, and their value is established exclusively by the creditworthiness of the issuer. Bonds can be used to finance a variety of permissible activities. Prices of sukuk are subject to change and are determined by a range of factors, including the issuer's creditworthiness and the current market value of the asset that serves as collateral for the sukuk. In addition, the growth of a secondary financial market is unable to occur due to these constraints (Alkhan, 2006).

Sukuk is a term that is commonly used synonymously with "normal bonds," despite the fact that there are significant differences between the two types of bonds. As the name of the financial instrument implies, holders of sukuk are regarded as the owners of the assets that underlie the sukuk and are thus eligible to share in the profits generated by these assets. Sukuk investors provide the initial funding, and then the underlying asset or assets are chosen and leased out as part of the ijarah contract, which is the leasing structure upon which the sukuk is built (Alkhan, 2006).

Establishing either a company that holds assets in its own name or a trust that holds assets for the interests of beneficiaries, the holders of the sukuk, is required as part of the conventional structure of a sukuk. Either option can be used. It is thought that if certain activity, like collecting rent on a property is lawful for an individual to perform, then it is also legal for a group of persons to accomplish via the use of a legal intermediary. This applies to both aforementioned scenarios. According to Alkhan (2006), the Special Purpose Vehicle (SPV) is going to collect cash-flow payments from the party that is being financed, such as rental yields on a property, and then it is going to distribute those payments to the holders of the sukuk in an agreed-upon amount after deducting administrative and other costs (Yılmaz, 2014).

It is usual practice to register Sukuk SPVs offshore, because of the preferential tax status that gives to high-net-worth individuals and institutional investors. The prospectus shall contain information on the issuer and the intended use of funds, as well as the contractual duties of the SPV and associated parties (Yılmaz, 2014).

Understanding the Sukuk system presupposes prior exposure to the Asset-Backed Securities (ABS) system. This is a requirement for participation banking system. The company sells the ABS in Turkiye called “Varlığa Dayalı Menkul Kıymet (VDMK)” receivables portfolio to a Special Purpose Vehicle (SPV), which subsequently converts the receivables into securities. During this interim period, investment banks play the role of intermediaries in the process of selling these assets to purchasers. Due to the asset-based securitization of underlying receivables coming from actual commercial transactions, such as PLS or underlying receivables arising from financial leasing contracts, sukuk may be classified as asset-backed bonds (Zolfaghari, 2017).

Bonds are considered to be debt securities, whereas sukuk are asset-backed certificates. This is the major difference between the two types of securities. One other distinction that can be made between sukuk and bonds is that sukuk do not guarantee a certain quantity of interest payments, but bonds do. Nevertheless, ownership of sukuk is not the only type of guarantee that may be provided (Aslan, 2012).

Sukuk are comparable to stocks in the sense that they allow the holder to share in the earnings of a company but do not guarantee any certain amount of income. However, unlike stocks, sukuk are issued by Islamic financial institutions. Each shareholder's voting rights are proportional to the percentage of ownership they possess in the partnership, which does not have a temporal limit on its existence. On the other hand, the holder of the sukuk is only granted the right to ownership of the asset that is subject to the sukuk until the date that is indicated in the agreement for the sukuk. Traditional sukuk certificate holders are not granted any shareholder rights, according to Aslan (2012). These rights include the capacity to participate in business management, cast votes, and get preferential payments (Aslan, 2012; Zolfaghari, 2017).

Table 1: Comparing sukuk, bonds and shares

“Comparison”	“Sukuk”	“Bonds”	“Shares”
“Type of security"	"Share of revenue stream”	“Debt”	“Ownership in a corporation”
“Type of return”	Profit sharing	“Coupon”	“Dividends”
“Maturity date”	Specified	“Specified”	“Unspecified”
“Priority in paying principle”	First in priority	“First in priority”	“Less in priority”
“Risk “	“Lower”	“Lower”	“Higer”
“Voting rights”	“Not entitled”	“Not entitled”	“Entitled”

Source: Chermi and Jerbi, 2015

1.5. Development Process of Sukuk

In the year 2001, the government of Malaysia started the official process of accepting applications for sukuk. The initial 500 million dollars in profits made from the sale of Malaysian sukuk were distributed as described below. The Gulf States accounted for fifty-one percent of the total production, whereas Asia bought thirty percent, Europe contributed fifteen percent, and the United States generated only four percent. The new system is being overseen by the Federal Land Office of Malaysia, which is a government entity in Malaysia. The institution is required to disburse the rental money gained through the sale of the lands in its possession to the SPV and subsequent leasing to the Malaysian Treasury to the individuals to whom the sukuk issued by the SPV. This obligation is placed on the institution by the persons to whom the sukuk are sold. The responsibility for ensuring that the money is remitted lies with the SPV. This system was constructed on top of an older structure which was already in use (Güngören, 2011).

Since 2003, there has been a rise in demand for sukuk, which resulted in the total amount of sukuk issued reaching $34 billion in 2007. One may make the case that the market for sukuk in Malaysia is the company's major consumer base. Both Indonesia and Singapore are examples of nations that made a rapid entrance into this sector in 2009. In recent years, the "problems of Kuwaiti investment companies, the real estate market in the UAE, and the credit shortage in Saudi Arabia" have all taken a toll on the sukuk market (Türker, 2010).

There are secondary markets in which Sukuk can be traded after they have been initially issued. The demand in the secondary market serves to fuel activity in the primary market, which, in turn, helps to increase asset liquidity and assures that the primary market will continue to expand. Bahrain was the location of the very first secondary market sukuk exchange that ever took place. Following the event, Malaysia continued to export commodities to countries all over the world, including both Muslim and non-Muslim nations equally. According to the information provided by the International Islamic Financial Market (IIFM), sukuk issuances frequently originate in the private sector. In 2007, corporate organizations were responsible for the issuance of 81% of all sukuk, according to data that was collated (Güngören, 2011).

Despite the fact that there are significant differences between Sukuk and what are known as "normal bonds," the terms are commonly used interchangeably with one another. As the name of the financial instrument implies, holders of sukuk are considered to be the legal owners of the assets that are used as collateral for the sukuk and are thus entitled to a proportional share of the income that is generated by the underlying assets. Investors in sukuk provide the first funding for a sukuk, and the underlying asset or assets are chosen and leased as part of an ijarah contract, which is the leasing structure upon which a sukuk is built (Alkhan, 2006; Türker, 2010).

Forming either a company that will hold assets in its own name or a trust that will hold assets for the interests of beneficiaries, the holders of the sukuk is required in order for a sukuk to be formed in the conventional manner. The corporation must be able to hold assets in its own name. You are free to choose whatever one works best for you. It is a commonly acknowledged principle that if a certain activity, such as collecting rent on a property is legitimate for an individual to carry out, then it is also lawful for a group of individuals to carry out the same job with the assistance of a legal intermediary. This is the case in any of the two scenarios that were shown. The SPV will collect cash flow payments from the entity that is being funded, such as rental yields on a property, and it will then distribute those payments to the holders of the sukuk in an agreed-upon amount after subtracting administrative fees and other charges (Alkhan, 2006). Because it provides high-net-worth individuals and institutional investors with beneficial tax treatment, offshore registration of sukuk SPVs are popular activities that is carried out offshore. According to Yılmaz (2014), the prospectus is required to provide information on the issuer, the planned use of proceeds, as well as the duties of the SPV and any linked parties in accordance with the terms of the contract (Yılmaz, 2014).

To fully appreciate the Sukuk system, it is necessary to have prior experience with ABS, abbreviated in Turkish as VDMK. This is a prerequisite in order to take part in the sukuk transaction. The company has completed the sale of its portfolio of ABS receivables to a SPV, which intends to utilize the proceeds from the sale to invest in other types of assets. With this, the transaction between the two parties is complete. During this time period, investment banks play the role of mediators between the parties involved in the sale and purchase of these assets. Because of the asset-based securitization of underlying receivables originating from legitimate commercial transactions, such as PLS, sukuk may be defined as Asset-Backed Bonds (ABB) (Zolfaghari, 2017). This is owing to the fact that sukuk are backed by receivables. This is because receivables are asset-based securitized (Zolfaghari, 2017).

While bonds are considered to be a type of debt security, a sukuk is a type of certificate that is backed by an asset. As stated earlier, this, in large part, is the major point that differentiates the two kinds of securities from one another. In contrast to bonds, sukuk do not guarantee a particular rate of return for a predetermined amount of time during the term of the investment. Ownership of a sukuk is just one of several possible forms of assurance; however, it is not the only type (Aslan, 2012).

1.6. Challenges

Islamic banking and finance are economic systems that were established to avoid the prohibited interest-bearing transactions and other banned financial practices imposed by Islamic Sharia (Sharia Law, 25.08.2023). Islamic way of banking and other finance practices were created to circumvent the conventional banking system and economic transactions which were restricted by the Sharia. Some of these Islamic rules and laws has been greeted with both praise and criticism since its inception. Nonetheless, the interest-free or participatory banking industry has been praised for its successful creation and rapid growth from "theory" to a market reality which is recently calculated to be worth $2 trillion (Foster, 2009; Farooq, 2009; Usmani, 1998). For the purposes of attracting customers whose religious views prevent them from using traditional banking services, for the purposes of luring customers into the area of banking and finance who are not Muslim, and according to some proponents, for the purposes of creating a type of financial operations that is more stable and less dangerous (Pakistan's Islamic

Banking Sector Review, 2007). Many Muslims and non-Muslims alike have begun to mistrust the banking sector because it has departed from its basic tenets of providing funding and banking activities based on mutual benefit and cost over the years (Sergie, 2014). This has occurred because of risk and benefit sharing finance activities, the original method of financing advocated by the promoters, it was paid aside in order to carry out a specific financing operation, especially for purchases, but a certain fixed premium is added that is calculated based on a higher cost and greater profit concepts. In particular, the Murabaha process, because its rules depend on establishing a certain margin of profit and it is always fixed. A distortion of its concepts has been done, as loans are usually provided and these loans have a certain interest that are traditionally offered in cash to the customer, and the interest value depends on the special prices. With interest during the period during which the loan was taken or in a traditional way, even if this is considered a kind of trick by some (Sharia Law, 25.08.2023; Alharbi, 2015; Khan 2013).

With the recent multi-billion Muslim petrodollars being parked in the non-Muslim Majority Western nations' institutions while those funds are urgently caught after by the Muslim majority countries, many devout Muslims have expressed their reservations with these transactions and their concentration in non-Muslim countries and institutions in a significant proportion. Other concerns and complaints include the lack of efforts made by the sector to provide special assistance to small merchants and merchants who work at a medium level in addition to the poor. It is considered a type of dilemma that requires knowing how to deal with what is called inflation, deal with late payments, and deal with what It is called hedging of currencies and rates; In addition to the scarcity and lack of many entities and places that are considered incompatible, in one way or another, with Islamic Sharia, in order to carry out a special storage process for cash during the short term, in order to increase the liquidity process, and these matters are considered sticking points (Sharia Law, 25.08.2023; Alharbi, 2015; Khan 2013).

1.6.1. Compliments

Many researchers have studied finance from an Islamic perspective, based on Muhammad Taqi Usmani, a researcher whom scholars considered a pioneer in the field of contemporary Islamic finance. Inside financial markets across the world or international (Usmani, 1998). The financial system in general, which follows Islamic law legally and financially, has influenced many banking solutions that have been developed in one way or another in order to be compatible with Islamic principles, and in order to be in response to all the practical work needs of this industrial process. A department at the World Bank in the Islamic Finance Department involved in many banking and financing activities, and considered it as a process that is considered to a large extent ethical in addition to being responsible from a social and environmental point of view in addition to being sustainable. He also emphasized inclusion in terms of financial and social welfare (Usmani, 1998). Islamic banking industries have attracted great and wide fame and popularity around the world, the reason for this may be due to the fact that its growth is rather rapid if it is compared to traditional banks, in order to achieve its goal of reaching high customers and Islamic money (Sharia Law, 25.08.2023).

1.6.1.1. Positive Sum Effect

The so-called size and share of the private market for banks that adopt Islamic law and their banking services within Islamic countries in general is considered practical evidence and empirical evidence that is consistent in a large and strong way, and that carrying out a development process for these services leads in one way or another to a higher development of this sector through which the amount of credit is measured The sum is measured through which bank deposits are measured, and the gross domestic product is also measured (Pakistan's Islamic Banking Sector Review, 2007).

1.6.1.2. Stability

The Islamic Bank and its banking services and industries have drawn a wide debate around the world between supporters and opponents. According to proponents of this kind of financial organization, such as Zeti Akhtar Aziz, the chairman of the Central Bank of Malaysia, this type of financial institution is seen as being somewhat more stable than conventional theories, maybe as a consequence of the limitation on interest rate fluctuations (Bahru, 2013). There are many types of bank accounts that are compatible with the provisions of Islamic law, including the first type of current account and the second type of speculation accounts, which are considered to carry less risk in Islamic banks in general (Khan, 2010). This is because a current account is not designed to provide any kind of return, and the bank is not allowed to invest the money that has been placed by the client in any manner. When compared to other types of accounts, Mudaraba accounts are seen to have a greater degree of consistency due to the fact that the risk of a client defaulting on a payment is therefore shared between the depositor and the financial institution. This is due to the fact that the danger is decreased. In the event that the borrower is unable to pay back the bank for any part of the money that was lent to them, the amount of money that will be returned to the depositor will be decreased by an amount that is equal to the amount that was lost by the borrower. This is not the case with online banks, however, since depositors at conventional banks are assured of receiving a certain rate of interest payment regardless of whether or not the bank is generating a profit (Khan, 2010). Ibrahim Wardah carried out the process of attributing credit to the oversight derived from legitimacy and law, which stipulates that Islamic banks are prevented from following the way traditional banks operate through their many transgressions, which led, in one way or another, to the financial crisis between the year two thousand and seven and two thousand and eight (Warde, 2010; Sergie, 2014; Alamer, 2020).

1.6.1.3. Defense

It is possible that the fact that the industry as a whole is still relatively new and has spent all this time in one of the early stages of the learning curve may help explain the challenges and anxieties that this sector may be facing with it. This hypothesis is supported by the fact that this part of the learning curve has been present throughout the whole of this period. Because the industry as a whole is still in its infancy, this sector may have already found a solution to the problem. Also enough time, the sector will eventually be able to triumph over its difficulties and issues (Usmani, 1998). In the year one thousand nine hundred and ninety-three, Usaf Ahmed defended this type of industry used by banks because it was still in one of the early stages of transformation and the final transition to the services that traditional banks use to Islamic banking services (Ahmad, 1994). A number of studies that were carried out in this field came to the conclusion that the industry would not be able to "operate in its essence" unless and until it is formed in an Islamic culture and environment. These results were compiled into a report that was published in this field. Up to that point, it will be inhibited by practises and influences that are not associated with Islam (Farooq, 2008).

1.6.1.4. Challenges from the Industry View

The most important challenge facing Islamic banks in general is the decrease in the level of awareness among customers and a decrease in their understanding of Islamic finance products and services, including the banking industries, for example, sukuk. As a result of the lack of realization and understanding of these industries, customers purchase these products and services are somewhat less, so they are considered one of the basic obstacles facing the Islamic Bank, and in order to overcome them, a condition that is considered essential must be met, which is harmonization, which leads to an increase in internal clarity in the bank and at the level Regulatory in general, which leads in one way or another to a process through which cooperation is improved between customers and those who set financial standards by using Islamic Sharia standards in addition to the standards used in conventional banks, which leads to a significant improvement in the internal control tools in the bank, which In turn, it greatly affects the improvement of profitability, as these commodities or banking products can be expressed through supervision and through regulatory frameworks, which are used within the Islamic bank and in resolving judicial disputes so that through which corporate structures and financial products management that are considered complex can be managed (Abdul-Majid et al., 2010; Rashwan, 2012; Godlewski et al., 2013; Abedifar et al., 2013).

Absence of urgently needed banking and monetary regulations and lack of understanding of money transmission and transfer is another important issue that needs to be resolved for the industry. Safety nets in general and frameworks for solutions that are considered underdeveloped may also be considered across a number of important issues that the industry may be complaining about. The lack of specific systems used for Islamic insurance that are considered complete in terms of deposits, where premiums are usually invested in Sharia-compliant assets, is an area that requires the attention of businessmen and investors. Lastly, regulators who don’t have the needed capacity to ensure the institutions compliance with the Islamic rules and laws is the problem that challenges the interest-free banking sector (Abdul-Majid et al., 2010; Rashwan, 2012; Godlewski et al., 2013; Abedifar et al., 2013).

1.7. Sharia Compliance Challenges and Conventional Finance Imitation

Amongst the Islamic researchers and scholars, there are some objections for various aspects of the Islamic banking and finance system and its products, arising from the religious point of view for various reasons. At this point of our research, we would like to study the details of those contentions.

Many people have weighed in on the discussion regarding Islamic banking versus traditional banking. Supporters of this banking system, for example, are Taqi Usmani, in addition to Dr. M. Qureshi, and among its supporters are also Saleh Abdullah Kamel, in addition to Harris Irfan, in addition to a number of opponents of this type, including Muhammad Akram Khan, in addition to Muhammad Farouk. Faisal Khan, Mahmood Al Jama, and Timur Goran, have analyzed the primary differences between the two types of financial systems. Although Taqi Usmani laments the similarities between them, he claims that Islamic banking has generally neglected philosophical methods in the process of sharing profits and sharing losses. First, it is argued that Islamic banking has neglected the risk-sharing patterns between the financier and the Musharaka user in favor of the fixed profit pattern of Murabaha and Ijarah, which in principle should only be used when risk-sharing is impossible. It specifically refers to participation, which is a type of participation. They then circumvent the norms of murabaha and ijarah by doing things like using murabaha financing to borrow money without purchasing a commodity or participating in ijarah without the lessor “taking responsibility for its ownership” or handing over “any usufruct” to the lessor. Tenant. These are two examples of how to circumvent the requirements of Murabaha and Ijara. This allows them to circumvent the requirements for murabaha and ijara. In order to guarantee that the result that is considered net may not be different in one way or another from any type of transaction that may take place within conventional banks and which may be based in some way on interest (Usmani, 2021).

Carrying out the process of determining the so-called profit rates followed according to the Islamic method, through the bank applying, in one way or another, the standards of Islamic law in the interest rate, based on the researcher Osmani, who believes that the idea of financial operations or Islamic banking is not considered much different from the method of financial operations used In traditional banks, he considered it only a design and distortion of documents to suit the Islamic Sharia, and considered that this process occurred because of the Muslims' denunciation of the traditional operations of banks (Khan, 2013).

Usmani published an article in which he states that sukuk, also known as Islamic bonds, were compliant with the Islamic shariah (Foster, 2009). At the time of publishing that article, Usmani was serving as the president of the AAOIFI Council of Scholars, which was the organization in charge of formulating standards for the international Islamic banking industry. Hassan Haikal was the other opposing scholar who raised doubts about the legality of the sukuk from the Islamic Sharia's point of view (Trokic, 2015).

At the Islamic Banking Conference in Turkey in 2005, Dr Qureshi, who is considered to be another "pioneer" in the field of Islamic banking, told the guests that Islamic banking with its current status nothing but a branding industry (Aström, 2015).

At the moment, I'm focused on discovering commonalities. Beginning in the 1980s, Sharia consultants began placing more focus on the development of Sharia-compliant variations of previously existing financial products. Harris Irfan, a Muslim banker at Deutsche Bank, bemoaned in a blog post that he felt like a charlatan, that he suffered from incoherence, and that he was attempting cognitive dissonance to fit a square peg into a hole (Kuran, 2005; Qadri and Bhatti, 2019).

Islamic banking services have been criticized by the prominent Islamic economist Muhammad Akram Khan, who is considered to be one of the most prominent economists and journalists in the Islamic world in Bengal, who in turn highlighted Islamic banking services, and indicated that they are interest-free while using many methods to indicate that they are a profit belonging to the bank and depositors do (Constable, 2001; Banaji, 2007).

Both Mahmoud Amin El-Gamal, who was a prominent Egyptian cultural critic (Halabi, 2017), and Associate Professor at the University of Toronto Law School

Mohamed Fadel are dissatisfied with the high prices for the services they receive (Fadel, 2009). According to Fadel, the core of the industry is primarily fee-collecting, which allows it to be interest-free while doing everything traditional banks do (Constable, 2001; Banaji, 2007).

Egyptian cultural critic El-Gamal believes that the phrase Shariah-Compliant Financing is the most accurate way to characterize modern Islamic banking system. The sharia board of the bank ensures that their institutions earn optimal fees and income by finding a more suitable and most of the time Arabic name for their banks and its products. By using these appropriate and unique names, they justify their credibility and take advantage of the price differential between the Islamic and conventional systems. This is why devout Muslims are willing to pay a premium price for what they believe to be Sharia-compliant financing (Constable, 2001; Banaji, 2007).

The assertions of Dr. Syed Taher of Washington State University that the Islamic Banking Corporation was established on the basis of strict Sharia laws are unfounded by the evidence that exists today. For example, the calculations of statutory liquidity requirements (SLR), capital adequacy ratio, and risk management standards are the same for both Islamic and conventional interest-based banks (Constable, 2001; Banaji, 2007).

According to the opinions of most of the researchers in the field, the only difference between Islamic and conventional forms of financial practice that they are theoretically comparable, from a technological and legal perspective. For example, Islamic bankers use the same financial formulas as their counterparts in conventional banking system in order to determine the current and future value of investments. To summarize, the exposed Muslim as well as other critical outsiders should take note that Islamic banks do in fact, maintain interest, but they merely name it something else, such as commissions or profits (Kuran, 2005).

Saleh Abdullah Kamel, who was awarded the Laureate in Islamic Banking by the Islamic Development Bank in 1997, provides a more nuanced perspective by stating the fact that while the banking industry has most of the traits common with the conventional financial institutions, Islamic banking differs in significant ways. Hybrid investment techniques, which mix lending and investment resources, are becoming an increasingly popular choice among the Islamic banks. This mixture has many of the same unfavorable characteristics of Western capitalism and predatory lending practices.

It is not highlighted that Islamic investing places a strong focus on both risk sharing and actual return on investment. The idea of a guaranteed return on investment is not supported by the Islamic banking and finance products (Kuran, 2005).

Mahmoud El-Gamea, Professor of Humanities and Social Sciences at the University of Hargeisa, argues further that conventional finance's history such as earlier returns and return trends, and sometimes the race to be the first to create an Islamic hedge fund provide transitory benefits, such as greater early profit margins for the product's first mover status (Cases of Concern, 25.08.2023; Kuran, 2005). It was the first to establish in the context of the Islamic banking industry, captive access to markets and free indirect publicity, both of which entice other institutions to follow suit but often provide a return (Kuran, 2005).

1.8. Profit and Loss Sharing Problems

Profit and loss sharing promises and challenges Islamic banks in Saudi Arabia. According to a 2006 thesis by Suleiman Hamdan al-Balawi, Egypt and Malasia have recently moved away from PLS techniques and the basic principles of the participatory banking systems (Khan, 2013).

One study performed by Khan M Mansoor and Ishaq Bhatti on the most widely used Islamic financing methods found that the share of Musharaka financing in a leading Islamic bank fell from 17.34% in 1994-6 to only 6.34% of total financing in 2000-2006 (Khan and Bhatti, 2008). Rsather than musharaka financing debt-based contracts or debt-like instruments were more common in the sample. The other instruments in the sample were54.42% murabaha, 16.31% of ijara and 5.60% on peace and Istisna during the years of 2004-2006. Another survey of the largest Islamic banks published in 2010 found the use of musharakah to be between 0.5% and 21.6% (Khan, 2013).

According to Amana Mutual Funds Trust (2023), explanations provided by two of the authors of the report, Humayun A. Dar and J.R. Pressley why the instruments of musharakah and speculative financing have declined to almost insignificant proportions include the following:

- There is an incentive that customers considered strong, reporting by the bank about a profit that is relatively small from the amount that will be achieved from actual profits in the bank, so that the bank can use profit-sharing and loss-sharing in a favorable situation for income patterns that are considered constant for the bank, as the greater the profit the one that the bank advertises increases the customers of the bank who go to the financing bank.

- Carrying out a process through which the so-called property rights are determined has not been done accurately in banks that operate in accordance with Islamic law, and this makes the process of sharing losses and sharing profits somewhat difficult.
- Traditional banks in general, which compete with Islamic banks, were established decades ago, as they have extensive experience over time, but Islamic banks arose not long ago, which made them not yet sure of their practices and certain of their policies, as they may face risks Don't expect it.
- PLS is not appropriate, or feasible in many cases such as short-term resource requirements, working capital needs, and not-for-profit projects such as the education and health sectors.
- In some countries, interest is considered a business expense and given a tax exemption, but profits are taxed as income. Thus, the clients of the company who receive funds on profit and loss sharing basis have to bear the financial burden in terms of higher taxes which they would not do if they took a loan and paid interest (Amana Mutual Funds Trust, 2023).

Prior to the year 2001, there was a notion of profit and loss sharing that underpinned the secondary markets for Islamic financial instruments. These markets existed until the year 2001. A business arrangement known as mudarabah, which is also known as musharaka, provides shareholders in a bank with extremely limited control capabilities and causes an imbalance in the governance structure regarding participation in profit and loss. Mudarabah is a kind of musharaka. When a bank provides a method of financing in the form of speculation, shareholders will often want to obtain a specific system that incorporates supervision in a manner that is relatively consistent and integrated. On the other hand, this is something that cannot be found in the world at this moment. In most cases, shareholders who take part in banking institutions want to acquire this system (Amana Mutual Funds Trust, 2023).

One of the challenges that the industry has not been able to successfully overcome is the fact that customers are willing to accept periodic losses on their investments in PLS financing instruments. This is one of the hurdles that the industry has not been able to effectively overcome. One of the difficulties that the company must overcome is the following. It has been hypothesised that the fact that Islamic financial institutions share their losses with their clients and investors is one of the factors that contributes to the better level of stability that Islamic financial institutions possess in comparison to traditional banking organisations (Khan, 2010; Bahru, 2013). In 2015, the Islamic Finance: Opportunities, Challenges, and Policy Options report was issued (Gelbard et al, 2014). Within this book, the International Monetary Fund (IMF) cites an essential regulatory problem for the banking system as ensuring that "Profit Sharing Investment Accounts (PSIA) in Islamic banks, such as Mudaraba accounts," are supportive of financial stability. This is a challenge that the IMF has identified (Srairi et al., 2015).

Proponents of participation accounts, such as Pakistani jurist Taqi Usmani, believe that normal business activities may involve periodic losses, and this is part of doing business (Nawi and Marzuki, 2017; Khan, 2013). On the other hand, depositors' expectation of steady returns and no risk is also a desired optimal situation for them. Loss is an abnormal outgrowth of capital banks, which has been caused by separating finance from normal business activities as a major embezzlement scandal in Dubai Islamic Bank in 1998 (Khan, 2013). However, since 2004, no bad debt has translated into losses for depositors in the Islamic banks. However, none of the operating Islamic banks has carried out a specific reduction in a certain value within the accounts of depositors in general, when the customer writes down what is called troubled assets, for the sake of some fear of loss, for the depositors (Khan, 2013).

Apart from the disadvantages to the lenders, a critic of Islamic banking, Faisal Khan, argues that the widespread use of the share factor could have serious harm to economies. He points out that if banks take direct ownership and partnership in every enterprise that they are involved with as required in partnership and participation requirements, the total credit amount will contract and central banks will not be able to use the usual methods of credit expansion, such as buying bonds, commercial paper and so on to prevent liquidity crises that arise from time to time in modern economies. While supporters of Islamic banking practices such as Usmani are correct that murabaha and other fixed income instruments, which have displaced profit and loss sharing, are essentially conventional banking methods re-named, if they are not used and replaced by the more authentic PLS, central banks may be powerless to prevent economic downturns and severe unemployment situations (Kepel, 2002).

1.9. Murabaha-Without the Required Commodities

Without PLS and with the use of Murabaha, the industry has been accused of not following the Sharia controls of Murabaha as described earlier. By not buying and selling goods and inventory for banking purposes which is a prerequisite for sharia compliance when a bank wants to loan cash instead of financing a purchase, then the transaction will accrue an additional cost and serves no other function. In 2008 ArabianBusiness.com complained about this issue stating the fact that sometimes there are no commodities involved at all when cash flows between banks and other parties in the participatory banking industry. Often the good is completely unrelated to the borrower's business and not even sufficient for related goods to account for the ongoing transactions**.** According two other researchers Vogel and Hayes (1998) and Farooq (2008). An extensive report stated that there are many "artificial" murabaha transactions used by banks in general, in the amount of billions of dollars, that took place in Europe, specifically in London, over many years, where many Islamic banks suspect that banks carry out a process called stock acquisition in order to carry out a constructive formation process. internal financial operations (Vogel. and Hayes, 1998; Farooq, 2008; Irfan, 2015).

1.10. Mixing of Funds

The original proponents of Islamic banking advocated offering of various types of distinct accounts so the fund collection, or utilization of these accounts would be greater since they are versatile and suitable for different types of deposits. This is to collect greater amounts of investment and earn greater amount of return. This versatility and collection of different kinds of funds is criticized by some critics, such Muhammad Akram Khan (Usmani, 2008).

1.11. Forgery

There are a lot of people who are against the policies of banks and who complain that banks frequently comply with the norms of Islamic law as frequently as they get word from the bank or borrower that they have followed the rules for compliance, even though there is no efficient audit to check whether or not this is accurate. These people say that banks often comply with the norms of Islamic law as frequently as they get word from the bank or borrower that they have followed the rules for compl One of the observers has expressed their displeasure with the current policies and authorities that are in place within the banks, claiming that they are founded on legitimacy, despite the fact that they may carry out a process of expressing great and encyclopedic confidence in many different areas, particularly in their customers, particularly when it is related in some way or another to dealing with what is referred to as parity in the industry, in addition to this, one of the observers has stated that they are founded on legitimacy. In addition to a legal audit process that is carried out externally is carried out by a dedicated body that is not affiliated with the bank. This is in addition to the legal audit process that is carried out internally by the bank as required by law and is regarded as necessary in order to achieve fairness and transparency in all of its dealings and to ensure that financial institutions have satisfactorily fulfilled their obligations to their customers. Because there are times when a customer may consistently complain about many transgressions that may occur in the bank's regulations, and he may testify that there are many records that have been tampered with in some form. In addition, there are times when a customer may testify that there are many records that have been altered in some manner. In addition, there are times when a customer may testify that several records have been changed, and this is something that might happen on occasion (Usmani, 2008).

1.12. Parallelism Between Current Interest Rates and Islamic Banking Rate of Returns

The profit or return rates of participatory banking are sometimes changed so that they correspond more closely to the interest rates that are provided by conventional banks. In spite of the fact that Islamic law, known as sharia, forbids the accumulation of interest, this is the case. According to Islamic banker Harris Irfan, the criteria such as

LIBOR, which are authorised by virtually all of the scholar, continue to be a crucial tool for Islamic banks despite the fact that they are defective and do not so much conform with sharia law. This is despite the fact that practically all of the scholars approve of these criteria. The usage of the conventional banking benchmark known as LIBOR, as stated in the works of Muhammad Akram Khan, a pioneer in the area of Islamic banking in Pakistan, "defeats the very purpose of designing and delivering Islamic financial products" in the first place (Usmani, 2008).

Sceptics further point out that the rates of return on accounts maintained at Islamic banks are uncannily comparable to those held at regular banks. This is despite the fact that Islamic banks and conventional banks utilize various procedures that are intended to lead to different outcomes. Ustaolu and Cekara investigated the long-term link between the interest rates of time deposits in conventional banks and participation banks in Turkey by conducting research in 2014 using novel econometric approaches. The study's focus was on Turkey. They discovered that there are three banks in Turkey that are considered four-participation, and that they have rates of term deposits that are considered very similar to the deposits that are usually found in traditional banks, and that the rate of return from them in Islamic banks is usually successive to that of traditional regular banks. The findings of the study led the researchers to the conclusion that there was a favourable long-term association between the rates of time deposits offered by conventional banks and participation banks in Turkey. People who are skeptical about the fact about Islamic banks confirm that they are very similar in terms of the numbers they obtain through returns to those of traditional banks, and they consider them clear evidence of manipulation of the so-called returns from the so-called Islamic banks. Because of the status of Islamic banks, which are smaller in size than conventional banks, they need to convince customers of the profitability and financial stability within their systems (Ustağolu, 2014).

1.12.1. Lack of Return on Short Term Investment

The services provided by Islamic banks, whether banking or Islamic finance, lack what is called a means used in order to obtain special returns that depositors obtain from their deposited money, especially in the short-term period, which is deposited for the process of waiting for its investment. This situation may place the Islamic banking sector in a position that is considered unfavorable when compared to its counterpart conventional banks. They must also carry out a process through which they balance options, including liquidity and the option of being able to convert a number of assets into cash, or create a special mechanism that works to equalize cash quickly when an emergency occurs, in the event that depositors need these deposits, without... The bank may incur any type of loss, as it may not be able to achieve a certain rate of return, such as being competitive, on these funds. In addition, traditional banks can at any time lend and borrow by using the interbank lending market, and then borrow from in order to meet liquidity requirements and then invest for a long or short period, which improves its profits (El-Hawary and Grais, 2004). Carrying out the process of calculating the return, whether it is for a short period or a long period, is through (El-Hawary and Grais, 2004).

The bank multiplies the time period by the interest rate. But in the case of Islamic banks, they cannot provide the return until the project is profitable and then the profits are distributed. Therefore, the return is not distributed except over a long period. In addition to that, the bank cannot borrow or lend within the lending market, as is similar to traditional banks (Hanif, 2019).

There are no Islamic money market things accessible to invest in, or at least not enough of them, Islamic banks, in comparison to their conventional counterparts as of the year 2002, maintained on average forty percent more cash, also known as unpaid money. This is due to the fact that there are no Islamic money market items available to invest in, or at least not enough of them. This is due to the fact that there are either no Islamic money market products accessible to invest in or not enough of them currently on the market. According to the findings of the research that was carried out by the Islamic Financial Services Board, the so-called The daily average volume of financial transactions that take place permanently between banks, as well as those that take place between financial institutions that operate in accordance with Islamic methods and between their words, both banks and financial institutions that operate in accordance with Islamic principles in addition to those that operate traditionally or what are known as When compared to the circulation that takes place between Islamic banks and regular banks, financial institutions, and central banks, it is apparent that the so-called conventional financial market has a substantially lower volume of financial services circulating within its market. This is due to the fact that Islamic banks do not participate in the circulation that takes place between ordinary banks and central banks. This is because conventional financial markets are thought of as being more conventional than other types of markets. Although there are a number of Islamic countries, such as the State of Bahrain, the State of Sudan, Malaysia, and Iran, they have actually begun, in one way or another, to develop a number of accounts for the Islamic financial market and have also carried out a special issuance of securities based on the participation process or the speculation process and the leasing process, starting in the year two thousand and thirteen, but there was a certain deficiency, which is the absence of any form of secondary market that may be effective or may be appropriate. There may be a certain but relative size of these securities, but in the case of banks. Islamic banks are somewhat small and not like what is found in traditional banks. This may be because the financial operations carried out by Islamic banks, whether they are Mudarrabah, a partnership operation, or a leasing operation, are considered applications similar to the financial operations in traditional banks, but they carry the same concept (Kettell, 2011).

Regarding non-PLS, debt-based contracts, one study by Ali (2013) found that the business model of Islamic banking is changing over the time and moving in a direction where it is acquiring more liquidity risk (Ali, 2013). To deal with the problem of earning no return on funds held for the sake of liquidity, or because of a lack of investment opportunity at the time, many Islamic financial institutions such as IDB and the FIBOE have been openly earning interest on the funds that are not invested or in transition to be invested in sharia complaint forms. These funds are usually invested for a short term in safer maney market accounts overseas. Rather than forbidding this type of short term financing and interest earnings, Shariah boards of the banks provides the necessary fatwa of Shari'ah, labeling these kinds of situation as necessity or in Arabic darurah (Hasan & Dridi, 2011).

Researchers Frank Vogel and Frank Hayes say that scholars in Islamic finance and banking have argued the need of permitting extreme relaxations of rules in order to support their viewpoint. This information comes from the researchers. Because Islamic banks do not have any other assets accessible at the required maturities, Islamic scholars have given judgments known as fatwas that allow Islamic banks to deposit funds in interest-bearing accounts, particularly in countries outside of their own. This is due to the fact that Islamic banks do not engage in any other forms of investing. However, they condition such fatwas by ordering that the ill-gotten gains be used for spiritually worthwhile purposes, such as charity, training, or research. This is a condition that must be met for the fatwa to be valid. This is one of the requirements that must be met before such fatwas may be issued. The exact circumstances that prevail at the moment that these fatwas are dispensed have a direct bearing on their content (Siddiqi,1983; Hasan & Dridi, 2011).

1.13. Social Responsibility and Emphasis

Following Islamic principles, as banks that adopt Islamic policies have adopted many Islamic policies with regard to new financing, which discover a certain type of channel that is considered new in terms of investment to encourage development and raise the standard of living for young people. Merchants and businessmen, but many banks adopt financial methods based on Islamic methods, so they paid attention to this aspect. With a short-term capacity by Islamic banks, which pays great attention to the financing process, for commodities whose products are actually based, and not for the sake of the creation process or through the process of increasing productive capital, or through facilities such as the infrastructure process, or such as factories and others (Brief, 2021).

Evolving towards convergence with the conventional banking services, the development of Islamic banking products imitates the interest-based banking products rather than creating its own unique products and services based on justice, fair distribution of income, and ethical patterns of investment outlined by Islamic Sharia and finance (Islamic Finance Corporation, 2015). Another Islamic scholar, Mahmoud El-Gamal, expresses disappointment that Islamic banking has been more preoccupied with appearances than genuine financial operations. He suggests that the focus of Islamic banking should be shifted to themes such as community banking, microfinance, and other products that are socially responsible investments (Hasan & Dridi, 2011).

The fundamental assumption of Islamic banking is called into question by a number of economists. These economists point to the Qur'anic prohibition against the accumulation of wealth as evidence that Islamic banking's focus on eliminating all forms of interest comes at the price of the larger picture of economic justice in general. Other economists who do not adhere to the conventional school of thought have been even more critical of these difficulties (Hasan & Dridi, 2011).

1.14. Lack of Shariah Uniformity

Islamic banks, in contrast to conventional banks, often have their very own Shariah boards that make decisions on the policies of the bank and are not subject to any real examination. This is in contrast to normal banks, which have established universal criteria. Two researchers by the names of Frank Vogel and Frank Hayes came to the conclusion that the four schools (Madhhab) of Sunni Islamic jurisprudence (Fakh) have not moved any closer to coming to an agreement on a single standard of Islamic banking. They accomplish this on their own will and without seeking advice from anybody else, using Islamic precepts and norms about business and financial matters. Not only are there divergences of view about specific areas of religious law related to financial problems amongst these four separate schools of thought, but there are also variations of opinion regarding these topics within each of these schools. As a direct consequence of these disagreements, shari'a boards would often have to reconsider their judgements and revert to a prior version of the guidelines and policies that they had previously created (Usmani, 1998).

Scholar Ibrahim Warde raises the question of whether or not the Sharia Boards of some Islamic banks are just giving a "rubber stamp" approval to the Sharia Compliance of Goods and Institutions (Warde, 2010; Khan, 2013). Since these institutions pay their salaries, this raises the possibility that the Sharia Boards are simply giving a" rubber stamp" approval. According to Iqbal and Molyneux, (2016), disagreements among boards over what exactly defines shariah compliance may eventually provide issues by giving rise to inquiries as to whether or not a certain bank is in fact shariah compliant (Askari et al, 2012). These are the findings that led the two researchers to come to this conclusion. It won't be long before Islamic banks begin to lose their market share if these worries regarding the compliance of Islamic banks with Islamic shariah continue to rise in the thoughts of the majority of Muslims (Hasan, 2015).

1.15. Other Challenges and Issues

Other than these major and sometimes structural challenges that outlined above as detrimental issues, there are also some other problems related to the Islamic banking industry that must be considered and rectified by the bankers and researchers alike. Let's look at these challenges one by one, which may be considered environmental or conditional challenges by some of it.

1.15.1. Late Payments

In contrast to the conventional financial system, which encourages late payments and delinquent loans by continuing to collect interest on the outstanding amount, Islamic banking has begun to place a significant emphasis on the control and management of overdue accounts. This is a significant departure from the previous financial system. (Fadel, 2007). In spite of the fact that a range of solutions have been presented to address the issue of overdue loans in the Islamic banking system, the financial institutions are still dealing with a substantial problem with payments that are late, to say nothing of defaults totally. This is a problem despite the fact that a variety of solutions have been proposed to address the issue of overdue loans in the Islamic banking system. Some people take advantage of the fact that there is neither a penalty nor interest that is accrued by employing every dilatory legal and religious approach that is available in order to get around the rules. Even though a variety of various forms of penalties and charges have been developed for being late in most Islamic countries, as soon as they are put into action, they are seen as being unlawful or unenforceable and are thus not implemented. In recent years, particularly, late penalties have been misunderstood and marketed as interest. This portrayal is not accurate. consumers of Islamic banks have taken advantage of this gap by making late payments or defaulting on their accounts since there is no cost or penalty connected with any of these activities. As a result of this, consumers of Islamic banks have taken advantage of this loophole (Irfan, 2015).

1.15.2. Inflation

Even in the realm of finance, inflation is a problem, particularly in areas where Islamic banks are active. Instead of imitating the practices of conventional banks, Islamic banks choose to lend money to private persons without demanding interest or any other kind of payment in return. A number of Islamic scholars have expressed their concern about a variety of concerns, one of which being the question of whether or not lenders need to be reimbursed for the value loss of their money as a consequence of inflation and how this ought to be accomplished. This is due to the fact that a lender will not be prepared to offer financial assistance to a business if there is a possibility that they would suffer a loss as a result of providing such assistance (Khan, 2013). Although it is opposed by many scholars claiming to be a form of interest and a factor that inflationary, there are some suggestions of overcoming this problem by indexing loans to commodities such as gold or other valuables (Sadique, 2012; Khan, 2013).

1.15.3. Non-Muslim Influence

Almost all of the Islamic banking and finance customers are Muslims, but the majority of the financial institutions offering Islamic banking services are Western and owned by non-Muslims. Supporters of Islamic banking sector sees this as a positive development and have cited this interest of western banks in participatory banking as evidence of the strong and growing demand for Islamic banking and thus an accomplishment or potential of this banking segment (Alharbi, 2015).

On the other hand, detractors assert that these institutions do not have a strong commitment to Islamic banking that is founded on religious principles. The result of this is that Muslims who are hired by these organizations have little involvement on the actual management of the organization, which may lead to sometimes legitimate distrust within the Muslim community over the sincerity of these institutions' attempts to comply with sharia law. It was found out that the majority of the Islamic investment funds that were being provided by RHB bank in Malaysia were being invested in the gambling industry, and the managers who were in charge of administering these funds did not practice Islam. RHB bank is a Malaysian financial institution that provides clients with access to Islamic investment funds (Farooq, 2008).

This does not show that the Islamic banking system is becoming more strong, as some detractors and many observers believe it does; rather, it indicates the interest of regular banks in the sector and how similar Islamic banking has become to normal banking (Farooq, 2008). This is also an indicator that new firms may join the Islamic banking market without having to make any substantial modifications to the practices and structure of the industry. Many academics hypothesize that the profit-driven character of huge non-Muslim banks is the source of their interest in Islamic finance, and that these banks will be more likely to withdraw from the business when the market enters a downward spiral or hits the saturation point. This is a theory that is supported by a significant number of academics (El-Gamal, 2006; Irfan, 2015). at the wake of the bursting of the housing market bubble at the beginning of 2011, every single member of staff working in the Islamic banking area of Deutsche Bank AG resigned from their positions. As a direct consequence of this, the implementation of Islamic banking has evolved into an exorbitant luxury that no one can now afford (Irfan, 2015).

Perhaps in part because of this above incident, in February 2011 Qatar Central Bank ordered conventional lenders to cease their Islamic banking operations in the country. The Central Bank insisted it was too much for conventional banks to follow alternative capital adequacy rules for Islamic finance, and almost impossible not to mix up depositors' funds of conventional and Islamic banks customers (Irfan, 2015).

1.15.4. Stability and Risk

There is a lack of consensus among experts as to whether or not Islamic banking is more risk-free and secure than conventional banking. Proponents of Islamic financial institutions, such as Zeti Akhtar Aziz, the governor of Malaysia's central bank who refer to the fact that Islamic law bans speculation, claims that Islamic financial institutions are more stable than the conventional banks. According to Khan (2010), current accounts and mudarabah accounts, which are the two most frequently used forms of Islamic banking accounts, provide the banks with less risk than other account types (Khan, 2010).

Because the funds in a current account are not invested, the customer does not earn a return and is theoretically safeguarded from financial losses. The Islamic bank is less vulnerable to the prospect of loan defaults since a mudarabah account is structured in such a way as to share the risks that are incurred. When a borrower defaults on a loan, the bank decreases the amount returned to the depositor by the same amount. In contrast, depositors at a typical conventional bank receives the same interest rate on their accounts regardless of how profitable the bank is. (Khan, 2010).

Depositors, or properly called partners in the Islamic banking terminology since they are part of profit and loss sharing accounts, are according to critics, exposed to dangers that they would not be subject to in conventional banking set-up in order to attain this stability. Holders of investment accounts in Islamic financial institutions are not provided the same degree of protection as creditors or shareholders with voting rights in other kinds of financial organizations. This is because Islamic financial organizations adhere to a stricter interpretation of Islamic law. This exposes the organization to a variety of new dangers, many of which have been mentioned above and require substantial additional research (El-Gamal, 2006).

Shortly after the global financial crisis of 2009, by Habib Ahmed published an article named, Western Finance, Islamic Dangers and the Lessons to Be Learned (2009), in which he argued that Islamic banking practices had grown increasingly comparable to those of Western finance, putting them at danger for the same sorts of instabilities (Ahmed, 2009).

It is possible that, if we take a closer look at how Islamic finance is actually practiced and the conditions under which it operates, we may discover echoes of the same impulses that led to the crisis over the past several years. Both the stock market and the real estate market in the Gulf region have had periods of speculative activity of their own. with it. Last but not least, the creation of state-of-the-art Sharia-compliant products has been a driving force behind the exponential growth of the Islamic financial sector (Moghul and Safar-Aly, 2014).

Because of the nature of the instruments themselves, the financial crisis that began with a default in Greece in late 2009, and the 2008-2011 Icelandic financial crisis, which involved the failure of Iceland's three major banks, was, relative to the size of its economy, the largest economic collapse any country has suffered in history. These new Islamic financial solutions are subject to a wide range of potential downsides (Moghul and Safar-Aly, 2014).

Through the years, several Islamic financial organizations have been brought to their knees. They were subsequently paid for their losses by an undisclosed Gulf state donor according to The Middle East and North Africa 2004, (2004). When the Islamic investment business Ar-Ryan went bankrupt in 1988, thousands of modest investors saw their life savings evaporate (The Middle East and North Africa 2004, 2004).

Poor management at Bank al Taqwa resulted in over 23% of principal of mudaraba depositors and shareholders in 1998 as indicated in their institutional annual report. It was later discovered that management made a major mistake of investing 60% of banks total asset into one single project. Even novices of economy and banking knows that you do not put all of your eggs into a single basket (Kahf, 2004).

The Ihlas Finance House in Turkiye was forced to close its doors in 2001 as a result of liquidity problems and financial distress (Ali, 2007). In the United Kingdom (UK), the Faisal Islamic Bank was compelled to close its doors due to problems with the country's regulatory system (Di Giovanni & Levchenko,2012; Ali 2007; Kepel, 2002). According to an article that was published in The Economist, 2009 Dubai debt crisis proved the point that Islamic bonds-sukuk can increase debt levels to an unmanageable level (Bahru, 2013).

1.15.5. Recessions

A study conducted by the International Monetary Fund in 2010 found through a survey titled Resilience of Islamic Banks: Are They More Resilient in the Face of Crises? Where the study showed, in general, on average, compared to the rest of the banks, much more flexibility than the rest of the traditional banks, during the financial crisis that occurred between 07-2008, but Islamic banks were affected more as the financial crisis at that time resulted in greater losses (Gelbard et al, 2014).

That Islamic banks were not affected by the recession that occurred between 2007 and 2009, and he said that the collapse of major Wall Street institutions, in particular Lehman Brothers, should be evaluated as a safer and more secure Islamic banking system. The banking system should be nurtured and used to avoid similar situations (Usman et al, 2015). However, Islamic banking was one of the first companies in the real world to be affected due to the spread of the financial crisis. This crisis demonstrates at the same time that Islamic finance is not a one-size-fits-all solution to all ills of the financial system, but rather a debt-based system, which is not immune from all the shortcomings and anomalies of financial systems (Khan, 2010; Usman et al, 2015).

Another challenge to the security of Islamic banking and finance, as outlined by Munawar Iqbal and Philip Molyneux, is the rising concentration of ownership. They state that there are three or four families who hold a significant portion of the industry.

Due to the high degree of ownership concentration, the industry would be in great risk of collapsing if something were to happen to those families, or if the next generation of those families decided to pursue different objectives. As stated above and used the analogy of putting all of your eggs into one basket, diversification and alternatives would lessen the potential risks. Similarly, the activities of rulers, who were not chosen democratically by the public, have dominated the experience of country-wide experiments of Islamic banking and this problem too presents itself as a challenge to reckon with (Iqbal et al, 2006).

1.15.6. Costs

According to Islahi Islamic Economics Research in King Abdulaziz University Muhammad El-Gamal, some of the Islamic financial products will necessitate more expensive jurist and lawyer fees as well as special tools and trained salespersons to name and present those products because they resemble and mimic conventional banking financial products but supposedly operate in accordance with the norms of shariah (El-Gamal, 2006). This is because Islamic financial products operate in accordance with the requirements of conventional financial products. Islamic banks' use of late payment penalties and fees will make contribution to the overall earnings of the banks but cast some doubts on their shariah compliance. As a result, the costs associated with their financing are often higher, and the returns on their investments are typically lower than those associated with conventional commodities (Abdul Razak and Saupi, 2017).

El-Gama contends that the reliance of Islamic banking on "classical "nominate contracts" (such as murabahah credit sales and ijara leases, among other examples) is another source of inefficiency and greater expense in the industry. This is also one of the reasons why Islamic banking's replications of conventional finance products are always slower than the conventional industry. As a result of the fact that these agreements were drafted at a time when financial markets were far more regulated than they are now, they adhere to conventional literary conventions. To put it another way, they do not have access to the instruments required to sort out the risks, which is something that conventional financial markets and institutions offer, such as money markets, capital markets and options markets. They run the danger of losing their religious consumers, who want them to adhere to religious rules when they make their contracts and products more efficient (Khan, 2010).

When it came to the purchase of a real estate such as a home, which is one of the most significant segments of the finance sector, Islamic financing was unable to compete with conventional financing as early as 2002 in the United Kingdom and as late as 2009 in North America. According to Director General of the Cambridge Institute of Islamic Finance Humayon Dar, the monthly payments on a shariah-compliant lease contract used by the Islamic Investment Banking Unit of Ahli United Bank of Kuwait in the United Kingdom is considerably higher than the payments on matching conventional mortgages. According to Professor Emeritus of Finance, Banking and International Economics at Vrije Universiteit Amsterdam, The Netherlands Hans Visser, the interest rate on an Islamic mortgage is 100–300 basis points more in Canada than the interest rate on a standard conventional bank mortgage, while the interest rate on an Islamic mortgage in the United States is 40–100 basis points higher. Conventional mortgages have been given a lower risk weighting than Islamic ijara financing in accordance with Basel I and Basel II, which are international regulations that determine the minimum capital requirements that banks must meet (Visser, 2019). The interest rates used to calculate profit on an Islamic mortgage may be the same as those that used to calculate return on a conventional mortgage, but the closing costs associated with Islamic banks will unfortunately cost consumers a few hundred dollars more (Wood, 2007).

According to research conducted by M. Kabir Hassan in 2005, Islamic banks that are mostly based on the murabaha model are not particularly efficient. The average cost of efficiency for the sample of banks that they looked at was 74%, while the average profit efficiency was 84%. According to the information presented in the article, these numbers are lower than the conventional banks' average, but they are commonly more efficient than their counterparts while generating profit (Kabir Hassan, 2005). In a further study, efficiency indicators such as cost, allocative, technical, purely technical, and scale criteria were evaluated to arrive at the conclusion that overall, the Islamic banking industry is comparatively less efficient than the conventional banks in other countries (Hassan, 2006; Khan, 2013).

According to the results of other studies on this subject, the countries in which the majority of the population is non-Muslim from other religions have a number of

Islamic banks or that contain the Islamic window within the traditional banks, which are available to a much lesser extent than the rest of the traditional banks. In the research conducted by Mukhtar et al., 2007 in Malaysia for the period between 1997 and 2003, Islamic banks were less than conventional banks in these countries and their effectiveness was much less (Mukhtar et al., 2007).

In a study conducted on the work of Islamic banks specifically in Turkey between 1999 and 2001, they obtained the same results in terms of the small number and efficiency of Islamic banks in them (Ali, 2007).

I also discovered the research that took place worldwide as a whole, which compared Islamic banks with conventional banks in several aspects, including cost and in terms of revenues in addition to the aspect of profit efficiency, for 43 Islamic banks and up to 37 conventional banks in twenty-one countries in the period between in 1999 and 2005 (Masruki et al, 2011) and concluded that there are no statistically significant differences in the general efficiency of two types of financial institutions (Masruki et al, 2011).

1.15.7. Maturity

According to M. O. Farooq, the logical explanations presented by the Islamic finance movement for the shortcomings of the Islamic banking industry include the notion that the problems and challenges of the industry are part of a learning curve and will be solved over time, or that the industry will be hampered by non-Islamic influences and fail to operate until and unless it operates in an Islamic society and environment (Warde, 2010; Khan, 2015).

Florida Institute of Technology banking consultant Faisal Khan asserts that the industry has not demonstrated a great deal of evidence of learning from its experience since the first interpretation was presented in 1993. This is despite the fact that the second interpretation cannot be proven until an Islamic interpretation is presented. The community is fully developed.

In 1993, articles by financial expert Awsaf Ahmed were published on Islamic banking that discussed the challenges faced by businesses during the shift from conventional banking to Islamic banking. The critic highlighted the intrinsic similarities between conventional banking and Islamic banking in practice, as well as the marginalization of equity-based and risk-sharing mechanisms, and the adoption of short-term commodities and debt-like instruments as problematic aspects of Islamic banking (Warde, 2010; Khan, 2015).

Advocate for Islamic banking Ibrahim Warde made an observation in 2010 that instead of being phased out Murabaha and other comparable sale-based products completely, they grew to a current level to account most of the activities of the Islamic banks (Warde, 2010; Khan, 2015). Some researchers, such as Omar Farooq, have blamed the industry's problems on its condemnation of all interest on loans as forbidden, and the impracticality of trying to enforce this prohibition in real banking practices (Farooq, 2005). On the other hand, the majority of religious people and scholars who are advocate of the Islamic banking industry call for further orthodoxy as well as a redoubling of effort and stricter enforcement of sharia on finance practices (Farooq, 2005).

2. LITERATURE REVIEW

Recently, Islamic finance has received a lot of attention in academics and policy making. Beginning more than three decades ago in the form of commercial banking and financial activities, Sharia-compliant activities have spread to investment banking, project finance, capital markets, insurance, wealth management and microfinance. Although Islamic finance has weathered well despite obstacles and critics' skepticism, it still faces many challenges (Iqbal, 2001). In this chapter we will review literature under the headings of Institutional Framework for Islamic Banks and the Islamic Financial Intuitions in predominantly Muslim a Non- Muslim populated countries.

2.1. Institutional Framework for Islamic Banks

A Muslim's entire life should be lived in conformity with the precepts that are outlined in Islam. Everyone needs to get used to the idea that their freedoms will be restricted. Because Islam encompasses every facet of life, this is the most straightforward explanation. In addition to having a work, it is essential for our existence to have a rudimentary grasp of economics. As a consequence of these facts, issues pertaining to the economy shouldn't be tackled in a vacuum, aside from other parts of life and concerns pertaining to society (Zaim, 1992).

The fact that Islamic law forbids charging interest was a significant contributor to the growth of the Islamic banking industry. The existence of verses expressing religious obligation in situations involving transactions carrying interest is the fundamental reason why individuals avoid transactions carrying interest and the conventional banks all together. According to the scripture, anyone either receiving or paying interest causes decline in the person's and society's social and moral standing. Because of the religious, ethical, and economic relevance of this commandment, Muslims are obligated to adhere to it (Kavaş et al, 2022).

As a result of the idea of increasing the amount of monitored assets according to Islamic rules in Muslim countries while avoiding interest and nonconforming financial activities, financial institutions can now present the transactions and savings as compliant with the stated Islamic principles. This has accelerated the search for alternatives to conventional banking, which can be seen as a positive development for the faithful believers and the financial needs of the societies. With these new positive developments, the interest-based economy that we are now utilizing may be replaced with Islamic Finance, which is a genuine alternative to the current system.

A financial system that is founded on Islamic law and principles is described as Islamic banking. This is the most basic definition of Islamic banking. Islamic financial organizations that do not charge interest adhere to a kind of banking known as "participation banking," which is in line with the Islamic principle that forbids charging interest. This strategy comprises collecting funds based on a participant's share of the profit or loss and then employing those funds for activities such as entering into business partnerships or leasing space (Bilge, 2015).

A fiscal system that is in accordance with Islamic law and is morally and ethically sound is referred to as "Islamic Banking," and the word "Islamic Banking" is used to designate such a system. A narrow definition of interest-free banking can be used to refer to a wide variety of different interest-free banking solutions, but they wouldn’t be true Islamic banking. Interest-based practices along with activities that goes against the teaching of Quran and Sunnah are prohibited by Islamic Sharia and, as a result, go against the ideals of modern Islamic banking (Yıldırım, 2019).

The Islamic principle that banks should not charge customers interest has recently been included into the rules and procedures that control the participation banking system. The objective of participation banks is to accommodate the savings of individuals who steer clear of conventional banks owing to the interest-based nature and dealings of Sharia noncompliant activities of those institutions (Gaye, 2017). An interest-free banking system requires that every monetary transaction be accompanied by an equal in goods or services, and the profits are redistributed according to a model that accounts for both profits and losses (Özsoy, 2012).

Participation banking develops a combined profit-and-loss relationship with the customer who owns the deposit money borrowed by forgoing the payment of interest on monetary transfers. This allows for greater flexibility for both parties. The management of these combined assets is handled through participation banking system, which employs a profit-and-loss partnership model which is permissible and preferred methods Islamic finance. Customers receive a portion of the profits that the business generates any loss as well that may incur. This line of reasoning presupposes that the borrowers, lenders, and intermediaries are all acting in an honest and cooperative manner and sharing the risk and profits equally (Kara, 2019).

The financial products and services that Islamic banks offer are comparable to those that conventional banks offer. However, there are cases in which customers select the principles of Islamic banking above those of mainstream financial organizations. Islamic banking is intended to provide a steady approach for the relevant system whenever there is economic instability on a worldwide scale. Islamic finance is completely reliant on the supply of loans in addition to the sale of assets. When customers and financial institutions take reasonable risks jointly, both parties' benefit and loose from the resulting economic consequence (Yıldırım, 2019).

The reliability of the Islamic monetary system is far higher than that of its competitors. The depositors of an Islamic bank take on a portion of the responsibility if the bank is hit with a shock or economic crisis on national or global scale. In the 1940s, the contemporary world was first introduced to a financial system that was based on Islamic principles. In 1946, before Pakistan and India were officially split, Muslims living in the region devised an innovative transaction model to compete with interest-based banking systems. According to this system, a Muslim who were given credit had the obligation to offer zakat to underwriting institution together with the principal amount of the loan (Kavaş et al, 2022).

In the year 1955, a Pakistani guy by the name of Muhammed Uzeyr came up with the concept of "interest-free banking." The system of interest-free banking has developed significantly ever since its humble beginnings in the 1960s as "Savings Associations" (Battal, 1999). The Pilgrimage Management Fund, often known as Tabung Haji, was created by the government of Malaysia in 1963 to provide financial assistance to Malaysian Muslims who want to travel on their Hajj pilgrimage. The primary purpose of this fund is to ensure that Muslim investors in a variety of markets receive a share of the profits that they reasonably anticipate earnings while Muslims are permitted to carry out their ritual of Hajj, which is known as the "pilgrimage devotion" (Alrifai, 2013).

As mentioned in Chapter 1 in detail, Egyptian Dr. Ahmed Abdulaziz al Naggar created the first Islamic bank known as "Mit Gahmr" in the year 1963, which became a blueprint for the others to follow. While maintaining its primary emphasis on the community at large, these Islamic banks continue to offer standard financial services just like any other conventional bank. As has been demonstrated in Egypt and other Muslim nations (TKBB, 2018), there is some evidence that a banking system that does not charge interest may be successful in its initial claim to be an Islamic bank. Nasir Social Bank (NSB), the world's first state-backed bank that did not charge interest, was also formed in Egypt in 1971. The area in which NSB particularly thrives is in its humanitarian activities. Iqbal and Molyneux (2016) cite the organization's efforts in giving interest-free loans (Iqbal and Molyneux, 2016). Also, it gave the economically disadvantaged individuals, scholarships to deserving students, and micro-loans to small businesses in exchange for a portion of their sales as an example of its influence on the overall society (TKBB, 2018).

According to Gaye (2017), the establishment of the Islamic Growth Bank in 1975 marked a significant turning point in the evolution of Islamic banking. The Islamic Development Bank was founded with the goal of fostering the economic and social growth of Muslim nations (Gaye, 2017).

Some of the interest-free institutions that have been established to facilitate banking activities in nations that have significant Muslim populations include the Islamic Development Bank in Jeddah (1975), the Dubai Islamic Bank (1975), the Kuwait Financial Institution (1977), and Daru'l Mali El-Islami (1981) (Kavaş et al, 2022).

At least since the 1970s, projects and activities related to Islamic banking have been carried out in nations that are not considered to be Muslim majority countries. These Islamic banks are in non-Muslim majority nations that are home to sizeable Muslim communities, and also seen as serving as an intermediate capacity. The Islamic financial services industry has begun a phase of tremendous development and growth as a direct result of hurriedly approved deregulation measures that followed the decade of 1980s. Both the public and private sectors have seen an increase in the flexibility of their financial resources as a result of the proliferation of new financial instruments and the globalization of Islamic banking. Since the 1980s, there has been a growth in the number of Islamic financial operations carried out in Western countries. During this time period, interest-free financial institutions that were presented to the Muslims in England were just getting their feet off the ground. Around this time, Housing and Development

Company (HDB) and Kuwait United Bank (KUB), which is known today as Bahrain Shamel Bank, started offering home loans to customers.

LARIBA-American Finance House decided to open their doors in 1987 in order to cater to the growing number of Muslims living in the United States. The LARIBA American Finance House is recognized as the pioneering organization of its kind in that Western country. Since 1998, this bank has seen significant expansion in both the scope of its activities and the number of transactions that it processes. As a result, the bank is now completely interest-free and compliant with Islamic Sharia. The purpose of establishing the Muslim Savings and Investments (MSI) projects like LARİBA was to develop a source of capital for commercial and residential markets in Muslim communities (Arslan and Ergec, 2010).

Between the years 1975 and 1990, a great number of individuals turned to Islamic banking institutions in order to fulfil their banking and financial needs instead of the conventional banking system. In order to fulfill and regulate this new Islamic banking system, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was founded in the early 1990s with the intention of regulating and standardizing these new institutions (Askari et al, 2012).

It was in the 2000s that the Islamic Financial Services Board (IFSB) was established, and this is considered to be the beginning of the widespread usage of Islamic banking products. IFSB offers financial incentives to Islamic financial institutions throughout the world in order to assist these institutions in modernizing and standardizing their business practices according to its set rules. In addition to the mentioned regulative duties, the Board acts as a liaison between the relevant authorities and international financial institutions, providing consulting services for them. Following the achievements of IFSB, the Islamic Development Bank established Islamic Trade Finance Corporation (ITFC) (Alrifai, 2013; Askari et al, 2012). ITFC was established to improve Islamic banking practices and to enhance commerce between Organization of Islamic Countries (OIC) members (Alrifai, 2013; Askari et al, 2012).

There have been many more Islamic financial institutions founded throughout the world in the nearly 50 years after the establishment of the first Islamic financial institution. These institutions adhere to Islamic rules and principles in order to manage essential aspects of the banking and finance system. Since their inception around the turn of the millennium, Islamic financial institutions have experienced fast expansion of their global presence and are generally well received around the globe. The UK and the USA are two of the markets in the West that have been experiencing the greatest amount of expansion of Islamic banking market (Schuster, 2013).

According to the Participation Banks Association of Turkey (TKBB, 2018), as of the end of 2017, there were a total of 1,389 Islamic financial institutions actively working in the banking industries in 56 different nations. Since 1970, a significant increase in the price of oil has enabled oil-producing countries to amass huge amounts of foreign exchange reserves. Other Islamic nations, on the other hand, are either in the process of growing or have not yet evolved at all yet. These nations, rather than possessing vast oil reserves, have natural resources and labor that are unable to be utilized due to a lack of financial means. This is due to the fact that petrodollars, which are savings derived from a region's trade surpluses, have been moving out of the area and into the Western countries. Cooperation between Islamic nations that have capital surplus and those that have capital deficit has been the real driving force behind the development of Islamic banking system to help each other (Çobankaya and Gençtürk, 2014).

It is quite likely that the origin of participation banking was influenced by a wide range of factors, including those related to religion, the economy, society, and politics, among others. Certain behaviors are either forbidden or tolerated by Islam according to a number of factors, one of which being the possibility that they may have a negative impact on society, the economy, and morals. Because people in every civilization have varied levels of access to the resources available to them, social stratification is something that will always exist. These groups need to reach economic parity if they are to continue to cohabit peacefully with one another. Individuals who save money and invest it in the economy through manufacturing, commerce, and industry are connected through the interest-free banking system, which results in the creation and maintenance of job possibilities. Entrepreneurs' access to funding through participation banking will make many projects and manufacturing facilities possible and this will eventually translate into national economic growth and prosperity. This is why interest free Raiffeisen banking system is credit for getting inflation ridden German economy out of funding problems after the WWII. As a consequence of interest free funding availability, the chasm that exists between the affluent and the poor would be reduced greatly, and rich getting richer scenario would be disabled (Kaya, 2013).

The rise in popularity of financial services that are free of interest has been a driving force behind the expansion of Islamic banks. Islamic banks are growing in popularity due to the fact that they provide customers with a number of services that are not available at traditional banks. There has been a significant increase in the number of non-Muslim customers at Islamic financial institutions throughout the world. Islamic banking has become increasingly common even in nations that are not majority Muslim populated countries due to the availability of these added services (Salman and Nawaz, 2018).

2.2. Islamic Financial Institutions in Islamic Countries

At this part of this study, we will be evaluating the Islamic financial institutions' state in member and nonmember nations of OIC. Let's start with the member countries.

2.2.1. Egypt

As mentioned in Chapter 1, in the year 1963, the town of Mit Ghamr in Egypt became home to the world's first interest-free financial institution operating under the framework of Islamic finance. In the aftermath of these financial transactions that took place between 1963 and 1967 in Cairo, Egypt, the Nasir Social Bank became the first commercial participation bank in the world to be established to carry out the duty of Mit Ghamr. During the 1970s, a proliferation of Islamic financial institutions across the world led to an increase in the use of interest-free banking practices in a number of countries, including Egypt. Egypt's second Islamic financial institution, FIBOE was established in 1977 with the assistance of Saudi Arabia working together with Egypt. At a later point in time, Egypt made a financial contribution to the institution that would later be known as the Islamic Development and Investment Bank (Chong and Liu, 2009; Okumus, 2005).

Although just three of Egypt's presently active forty banks are specialized as Islamic financial institutions, another dozen or so provide goods and services classified as Islamic finance, or interest-free banking Tabash and Khan, 2018). Every one of these financial institutions has its own sharia advisory councils. They provide banking choices that are compliant with Islamic law, in addition to the conventional banking services (Bassiouny, 2019). Egypt was responsible for one percent of the total assets held by Islamic financial institutions throughout the globe as of the first half of 2016 (Sidlo, 2017). In 2017, Egypt with its three Islamic Sharia complaint banks, created a total of 4,928 jobs being offered at 134 different branches around the country providing Islamic banking portfolios to the Egyptian citizens (Sidlo, 2017).

2.2.2. Saudi Arabia

In addition to being one of the leading countries that played an instrumental role in developing and financing the interest-free financial system, Saudi Arabia was also a driving force in the formation of the Islamic Development Bank in 1975. In this position, Saudi Arabia served as a pioneer and locomotive in the banking system Islamic. In Saudi Arabia, charging interest is against the law as it is based on Islamic law. Therefore, financial and commercial transactions in the Kingdom of Saudi Arabia are based on the Islamic system, as well as financial and commercial disputes in it (Çobankaya and Gençtürk, 2014; Basu et al., 2015; Alamer, 2020).

According to Türkmenoğlu (2007), many of the most successful participation banking conglomerates in the world can trace their origins back to Saudi Arabia. These include the Dar Al-Maal Al Islami Group, the Dallah Al Baraka Group, and the Al Rajhi Banking (Türkmenoğlu, 2007). Following in the footsteps of the IDB as the major pioneer institution, the nation's second-largest Islamic financial institution is Dar Al Maal Al Islam. Both of these organizations have a presence on a global scale, and in 1981, the government of Saudi Arabian made it permissible for privately held Islamic financial institutions to be established independently. Saudi owned Al-Rajhi Bank is a multinational firm that was established in 1981 and has its headquarters in London. In addition to the banking services, the company offers leasing with no interest charges as well (Kara, 2019; Kaplan, 2019).

Saudi Arabia, which is the most populous of the nations that make up the Gulf Cooperation Council (GCC), is also seen as one of the most vibrant and significant marketplaces for Islamic financing products. A significantly improved investment climate has been attributed to the opening of the stock market to foreign investors, the possibility of accessing the Saudi Islamic sukuk market, and the emergence of asset categories such as initial public offerings, real estate, and project funding (Al-Ghalayini, 2019).

All of these factors have contributed to an improvement in the investment climate in this country. When looking at how much money that is accumulated in the international sector of interest-free banking is allocated by nations, Saudi Arabia comes in at the number two spot in terms of the total funds. Sukuk is an essential element of the financial system that does not charge interest, and Saudi Arabia is the second largest market, following Malaysia in terms of the total number of bonds that have been issued. Saudi Arabia was the location of four different Islamic banks with a combined total of 830 branches and 19,209 employees (Sidlo, 2017).

2.2.3. Malaysia

There are two distinct banking systems in Malaysia, which is home to a sizeable population that identified as a Muslim majority nation member of OIC. One of these systems charges interest, while the other does not. Malaysia has been accepted as a model for other Islamic nations in terms of both Islamic Banking's implementation and the establishment of rules that govern the regulation of banking manners (Çobankaya and Gençtürk, 2014).

Banks in Malaysia that employ the interest-free Islamic system are overseen by a separate body of legislation and regulation than the conventional banks, which makes the country different from the other OIC nations and allows it to establish the benchmark for the industry. After the government of Malaysia implemented the Islamic Banking Law for interest-free participation bank for the first in 1983, Bank Islam Malaysia Berhad, was established the same year. The Central Bank of Malaysia is able to issue licenses and conduct audits of the country's whole financial sector, including interest-free institutions (Türkmenoğlu, 2007).

Despite the fact that it made the transition to an interest-free banking system later than the pioneer Islamic countries such as Egypt and Saudi Arabia, Malaysia is by far ahead of all, and leading others in terms of setting required regulations, the number of interest-free banks, the distribution of funds collected by country, and the issuance of sukuk (Erden and Topal, 2021). There are financial products offered by over 100 Islamic concept banks in the country. The vast majority of World Sukuk issuance is conducted by Malaysian banks (Chong and Liu, 2019).

Even though Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad are two of the most well-known interest-free banks in Malaysia, clients still have the choice of using interest-free banking products at Malaysia's conventional banks (Çobankaya and Gençtürk, 2014). Traditional banks which predate the establishment of Islamic banks in Malaysia, adapted to provide shariah compliant products under their roofs as well. Both conventional banking and community-based participatory banking are practiced together across the country. The country's banking industry currently allocates 20% of its operations to activities that do not accrue interest (Erden and Topal, 2021).

More than one hundred financial institutions in Malasia adhere to the principles of Islamic banking. The majority of the world's Sukuk that were issued in 2010 came from Malaysian financial institutions, according to Chong and Liu (2010). The government of Malaysia provides interest-free financial institutions with several subsidies and other types of financial support. The government of Malaysia is the most important driving factor that finances the interest-free funding in the country. The government actively encourages and monitors the whole industry through the use of the incentive system, and it also enters into strategic partnerships with banks in an effort to shape the industry's trajectory going forward (Dereci, 2018).

According to D'cruz and Aziz (2019), the Islamic financial industry in Malaysia is more developed than any other country's market elsewhere in the globe because of government subsidies and support (D'cruz and Aziz, 2019). As of the end of 2017, Malaysia was home to 16 Islamic financial institutions, with a combined total of 2,198 branches and 9,296 employees (TKBB, 2022).

2.2.4. The United Arab Emirates

According to Kaplan's research from 2019, the United Arab Emirates (UAE) is the third largest market for Islamic banking in the world, behind Saudi Arabia and Malaysia (Kaplan, 2019).

The UAE, like many other Gulf governments, allows a diverse range of activities provided they are carried out within the parameters of the law governing Islamic banking. Although interest is not expressly prohibited, the Commercial Law that is now in force in the country does place some restrictions on its use and imposes certain constraints. According to Turkmenoglu (2007), it is not against the law to accept or pay interest on commercial payables and receivables up to a certain rate; but it is against the law to seek "interest" on a debt or receivable that is not tied to a business transaction. In 2018, the UAE was home to 8 Islamic banks, which all together had a total of 288 branches and 8,794 employees (TKBB, 2022).

Dubai Islamic Bank, Abu Dhabi Islamic Bank, and Emirates Islamic Bank are examples of financial institutions in the UAE that do not levy interest fees on their clients (Kaplan, 2019).

Since the market is not as substantial as the above-mentioned countries, in Kuwait, International Investor and Kuwait Finance House Kuwait are two financial organizations that fall into this category (TKBB, 2022). Although Kuwait market is not as large as the other mentioned countries; nonetheless, these institutions are global and important banks in the interest-free banking sector (Kaplan, 2019).

2.2.5. Turkey

In the early 1970s Turkish government decided to establish a bank to meet the needs of people with interest sensitivity and to serve small and medium-sized businesses. As the first step, the foundation of Devlet Sanayi ve İşçi Yatırım Bankası (State Industry and Worker's Investment Bank Ltd -DESİYAB) A.Ş. was established in 1975. By courtesy of this bank, crucial information, and experiences in the field of Islamic finance were obtained. Due to economic circumstances and other reasons, the lifespan of the Bank was quite short, and the bank closed its doors in 1978. The first attempt, albeit it was briefly, had an essential place in the institutionalization of Islamic finance and opened new horizons for future developments. In the 1980s, a more competitive and open economic system was introduced, and liberalization was initiated in the financial system to allow new enterprises to be established in participatory or interest-free banking (Kaplan, 2019).

The legal framework for Islamic financial institutions in terms of “Special Finance Institutions (SFI)” was constituted by the Council of Ministers Decision 12.15.1983 for the first time in Turkey. The Council of Ministers Decision, enacted as published in the Official Gazette No. 12.19.1989, constituted the first legal basis for SFIs which have been operating on an interest-free basis in Turkey. According to the Council of Ministers Decision, regulatory and supervisory powers related to SFIs were delegated to the Prime Ministry Undersecretariat of Treasury (formerly known as Undersecretariat of Treasury and Foreign Trade) and the Central Bank of Turkish Republic (Kaplan, 2019).

The SFIs, which mainly provide investment banking services, were excluded from the Banking Law until 1999 and they made some gains by exempting from the liabilities such as provisioning for banks. However, they were also exposed to significant disadvantages since they were not within the scope of The Savings Deposit Insurance Fund (SDIF) assurance, known as Tasarruf Mevduat Sigorta Fonu (TMSF) in Turkish, because they were considered as SFI and not as banks (Kaplan, 2019).

Following this first legal arrangement related to SFIs, Faisal Finance Inc. and Albaraka Türk Private Finance Inc. completed their establishment in 1984 and began to operate in Turkiye in 1985. Subsequently, Kuwait Türk Evkaf Finance Inc., Anadolu Finance Inc., İhlas Finance Inc., and Asya Finance Inc. were established and began to provide services in 1989, 1991, 1995, and 1996, respectively. Faisal Finance Inc. and Anadolu Finance Inc. have merged in 2005 and continued their practices under the name of Türkiye Finance Participation Bank Inc. In 2001, due to the financial crisis that occurred in Turkiye, especially in the banking and financial sector, the practice license of İhlas Finance Inc. has been suspended as of 2001 (Rodoplu, 1997; Kaplan, 2019).

The second critical regulation regarding the SFIs was made possible with the Banking Law No. 4389 enacted on 06/18/1999, with the Law No. 4491 on “Amendment to the Banking Law” was included in the scope of this banking law. Furthermore, it is stated in the provisional clause of Article 3 that the SFIs operating at the date of the amendment 4491 have to adapt their current status to the related articles of the Banking Law 4389 within two years. The Banking Law 4389 was amended again on 12/05/2001 along with Law 4672 on “Amendments to the Banking Law”. With this regulation, finally the “Association of Private Financial Institutions (APFI)” was established, and the SFIs was obliged to become a member of this Association within one month from the date of their activity permit (Article 11-b) (Dereci, 2018).

Additionally, it was decided to establish an Assurance Fund within the APFI to secure the savings collected in private current accounts and profit/loss participation accounts opened in the name of real persons in SFIs (Article 11-c). These arrangements have brought some liabilities for SFPs, while they have increased trust in these organizations and decreased some of the risks associated with them. The last critical amendment associated with interest-free banking in Turkiye was realized by Law 5411 enacted on November 19, 2005. According to the provisional clause of Article 3 of the Law 5411, the term "Special Finance Institutions" was replaced by the term "Participation Banks", whereas the term "Association of Special Finance Institutions" was replaced by the term "Participation Banks Association of Turkey (PBAT)" (Dereci, 2018).

The established "Assurance Fund" pursuant to Amendment 4672 has been transferred to the SDIF under the provisional clause of Article 18. Thus, the accounts in the participation banks were taken under the assurance of the SDIF. While the Islamic financial sector in Turkiye had a 5% of market share in 1918, the current market shares in 2022 increased to 8.4%. According to the Participation Banks Association of Turkey (PBAT) strategy report, it is expected to rise total Islamic banking market value to 15% by the year 2025. Upon considering factors such as sectoral growth, the attraction of new resources, improved trust toward the industry, psychological factors, and the state's own initiative to support the Islamic financial sector would be evaluated as a positive development. In Turkiye's case, the state is involved in the interest-free funding sector as an investor and entrepreneur. There is no example in the entire world of the establishment of Islamic banks at 100% state capital, except for the case of Turkiye (Dereci, 2018). This is why the projected expected 15% of market share by the year 2025 would not be an unattainable target value (Dereci, 2018).

Turkey's Ziraat Participation Bank, Vakıflar Participation Bank, and Emlak Participation Bank Inc. were founded in September 2019 at all public capital, and they are all operational with 1,151 branches and 18,837 personnel. Regarding the funds collected, 38% growth was achieved compared to the previous year and 13% growth in terms of the funds utilized (TKBB, 2018).

Turkiye has shown time and time again that it is committed to the growth of the Islamic financial sector. Its closeness to Europe, the Middle East, and Asia gives access to a broad variety of markets and commercial possibilities, making it an appealing place for capital from nations where Muslims make up the majority of the population. This advantage has been extensively used by Turkey in its efforts to attract investments, notably those from nations that adhere to the Islamic faith (Pakistan's Islamic Banking Sector Review, 2007).

2.3. Islamic Financial Institutions in Non-Islamic Countries

Islamic financial institutions in major western countries that are working in the interest-free Islamic banking sector and not members of the OIC will be evaluated from the literature at this section of the study.

2.3.1. The United Kingdom

In the UK, the practice of interest-free banking has been practiced and implemented since 1982. Murabahah and ijarah-based finance methods have been offered by Ahli United Bank (UK) Public Limited Company (PLC), abbreviated as (AUBUK) since 1997 (Arslan and Ergec, 2010). According to Dewar and Hussain (2019), the United Kingdom has not enacted any new laws that are particularly related to Islamic finance; rather, it has modified its present rules and regulations that are related to conventional financial products in order to better fit the common structures of Islamic finance (Arslan and Ergec, 2010).

Islamic Bank of Britain PLC is another major Islamic financial organization in Britain to offer banking services free of interest (Arslan and Ergec, 2010; Çobankaya, 2014). The firm was founded in 2004 and acquired by Al Rayan Bank PLC. Lloyds Bank and HSBC are the only other two conventional banks in the nation that are offering products and services as a sharia compliant product such as interest-free banking services (Azma et al, 2018).

Five million Muslims who live in the United Kingdom are serviced by twenty different Islamic financial institutions, five of which are full-fledged Islamic banks. When it comes to providing interest-free loans, the United Kingdom takes a pragmatic and practical approach, in contrast to the idealistic perspective used by many Muslim countries. The objective principal of these institutions is to transfer financial resources from Islamic nations, notably those in the Gulf States, to the Western nations. It is important to note that the 48 billion dollars in Islamic sukuk that are traded on the London Stock Exchange are not included in the 19 billion dollars in assets that are held by Islamic banking institutions in the United Kingdom. The business strategies of the United Kingdom's Islamic financial institutions are supported by the financial investment instruments and Islamic derivatives that comprise their backbone. It is impossible to have interest-free financing without the participation of the private sector, and the government in the UK is working hard to establish the infrastructure necessary to support such initiatives. It is important to note that the United Kingdom is the country with the largest frequency of interest-free funding for higher education. This is something that should be taken into consideration. There are currently 69 programs that may be taken at one of the country's higher education institutions that are totally sponsored by loans that do not accrue any interest (Dereci, 2018).

2.3.2. Germany

In the latter half of the 1990s, Germany witnessed the beginnings of Islamic banking, what would later develop into a thriving industry for the country. Despite the absence of Islamic financial institutions in Germany, several traditional German banks, such as Deutsche Bank and UniCredit, have expressed interest in developing Islamic banking operations in many of Arab countries (Casper and Allali, 2017). According to research conducted by the Institute of Islamic Banking and Finance (2017), the seminal event for the development of Islamic banking in Germany was the founding of the Islamic Banking and Finance Institute in Frankfurt in the year 2006 (Casper and Allali, 2017).

In spite of this flourishing business opportunity and booming market, Kuwait Turk (KT) Participation Bank AG commenced operations in 2015 in Germany, making it the first true Islamic bank to function in a nation where such practices had not previously been established. Since KT was the first Islamic bank to operate in Turkiye and the presence of large number of Turkish diasporas in Germany, made this bank’s move into this market easer and strategic. KT was the Islamic financial institution in

Germany that was considered to be a pioneer. After getting license from the German Federal Financial Supervisory Authority, BaFin, KT Bank's goal was to offer a comprehensive selection of financial services and products based on the tenets of Islamic Law and sound corporate governance (Casper and Allali, 2017).

In 2018, Albaraka Turk, another Participation Bank in Germany became the first bank in the country to offer digital banking services for its customers (TKBB, 2018).

2.3.3. Switzerland

In Switzerland, in October 2006, the Swiss Federal Bank Commission granted the banking license to Faisal Private Bank, which laid the foundation to be the first Islamic bank in that European country. Islamic banks, including local and global, have assets of 7 billion USD in that small, but financially savvy nation. In recent years, education programs in the field of Islamic banking have also been commenced in this state. The business school, named Geneva, pioneered in this field by launching a master’s program in Islamic funding practices (Dewar and Hussain, 2021). Currently there are two Islamic investment banks operating in Switzerland (TKBB, 2022).

2.3.4. United States of America

The USA, which has a significant potential for the Islamic banking due to its growing Muslim population. Parallel to large number of Muslims to immigrate to this country, it has just begun to develop interest-free funding models and interest-free banking recently (Çobankaya and Gençtürk, 2014).

In accordance with the Islamic banking rules and regulations, Shariah compliant financial services under the name of “Risk Capital” have been successfully operating in the country since the 1980s. The interest-free funding method known as “Venture Capital” also has similarities with the interest-free banking model (Çizakça, 1999).

Up until the 1990s, Islamic financial services in the USA were limited to investment and housing related mortgage financing purposes and were only available in regional markets. Beginning the late 1990s, the size of the market has grown nationally in tandem with the growth of the Muslim population (Dajani, 2019).

Currently, venture capital is not the only available banking option utilizing the interest-free funding in the US. Many other new banks also started offering interest-free banking options. Amana Mutual Trust is the first true Islamic investment company founded in the country (Kınalı, 2012). Later, LARIBA Financial Institution, and Guidance Financial Institution established their Islamic banking services for the country's Muslim market (Çobankaya and Gençtürk, 2014).

There are presently 25 Islamic financial institutions operating in the USA as of 2019, and the largest three of them are American Finance House, University Islamic Financial and Harvard Islamic Finance Program according to their asset size. In 2013, JP Morgan also began to offer Islamic banking services for its customers. Investment banks such as Standard Chartered Bank also followed suit and began to provide Islamic banking products in Asia, Europe, the Middle East, and the USA. Recently, banks in the U.S. commercial real estate industry, such as Malaysia-based Maybank, Kuwait-based Warba Bank, Kuwait National Bank, Italian Bank-Intesa Sanpaolo, and the Saudi private equity investment firm MASIC, controlled by the Al Subeaei family, have commercially participated in Islamic financial services (Dajani, 2019).

3. MATERIALS AND METHODOLOGY

In this section, the research technique that was used for this study, the scientific analysis that was carried out in order to collect data, as well as the information that was obtained in order to assess and verify the hypothesis, are all discussed. In this part, the authors discuss not only the sources of the data and information used in the study but also the sample strategies, data processing, analysis, and the limitations of the research.

3.1. Research Design

The gathering of data is an essential component of any study since it lays the groundwork for addressing the research questions that are being asked. The process of amassing pertinent information for the purpose of a research is referred to as "data collection," which is a generic word (Taherdoost, 2021). The methodology is a description of the exact processes that were taken throughout the process of doing the research to gather and analyze the data necessary to answer the research questions and satisfy the goals of the study. As a result of the case study design's emphasis on conducting an in-depth contextual assessment of a more limited number of occurrences or circumstances and their interrelationships, it was chosen to be used in this research. The selection of an appropriate approach to answer research questions is one of the most important stages of the research process; consequently, there is a requirement that researchers can clearly articulate and defend their selection. Those who wish to undertake qualitative research have a range of approaches available to them including grounded theory, phenomenology and ethnography. However, these designs may not be the most suitable for studies that do not require a deeply theoretical context and aim to stay close to and describe participants' experiences. The most frequently proposed rationale for the use of a descriptive approach to is to provide straightforward descriptions of experiences and perceptions (Sandelowski, 2010), particularly in areas where little is known about the topic under investigation. A qualitative descriptive design may be deemed most appropriate as it recognizes the subjective nature of the problem, the different experiences participants have and will present the findings in a way that directly reflects or closely resembles the terminology used in the initial research question (Bradshaw et al., 2017)

This design is also frequently used in mixed methods studies where qualitative data can explain quantitative findings in interpretive studies, used for questionnaire development in exploratory studies and validation and support for findings in convergent studies (Doyle, 2016). There has also been an increase in the use of qualitative descriptive research included in large-scale healthcare intervention studies, which can serve a number of purposes including identifying participants' perceptions of why the intervention worked or, just as importantly, did not work and how the intervention could be improved (Doyle, 2016). Using descriptive qualitative research in this way can help make the results of intervention studies more clinically meaningful.

3.2. Type of study

This study makes use of both quantitative and qualitative descriptive to research in its methodology. The use of this method enables the simultaneous study of quantitative and qualitative data. according to Becker, (2012) Quantitative research is a research strategy that focuses on quantifying the collection and analysis of data. It is formed from a deductive approach where emphasis is placed on the testing of theory, shaped by empiricist and positivist philosophies (Becker, 2012). Qualitative descriptive research generates data that describe the 'who, what, and where of events or experiences' from a subjective perspective (Vinarski Peretz and Kidron, 2023). From a philosophical perspective, this approach to research is best aligned with constructionism and critical theories that use interpretative and naturalistic methods (Drage, 2017). These philosophical perspectives represent the view that reality exists within various contexts that are dynamic and perceived differently depending on the subject, therefore, reality is multiple and subjective (Drage, 2017). In qualitative descriptive research, this translates into researchers being concerned with understanding the individual human experience in its unique context. This type of inquiry requires flexible research processes that are inductive and dynamic but do not transform the data beyond recognition from the phenomenon being studied (Sandelwoski, 2010). Descriptive qualitative research has also been aligned with pragmatism (Neergaard et al., 2009) where decisions are made about how the research should be conducted based on the aims or objectives and context of the study (Ormston et al., 2014). The pragmatist researcher is not aligned to one particular view of knowledge generation or one particular methodology. Instead they look to the concepts or phenomena being studied to guide decision making in the research process, facilitating the selection of the most appropriate methods to answer the research question (Neergaard et al., 2009).

Perhaps linked to the practical application of pragmatism to research, that is, applying the best methods to answer the research question, is the classification of qualitative descriptive research by Sandelowski (2010) into a ‘distributed residual category’. This recognizes and incorporates uncertainty about the phenomena being studied and the research methods used to study them. For researchers, it permits the use of one or more different types of inquiry, which is essential when acknowledging and exploring different realities and subjective experiences in relation to phenomena (Doyle et al., 2020). Clarity, in terms of the rationale for the phenomenon being studied and the methods used by the researcher, emerges from the qualitative descriptive approach because the data gathered continue to remain close to the phenomenon throughout the study (Sandelowski, 2010). For this to happen a flexible approach is required and this is evident in the practice of ‘borrowing’ elements of other qualitative methodologies such as grounded theory, phenomenology and ethnography (Vaismoradi et al., 2013).

3.3. Area and Time of Study

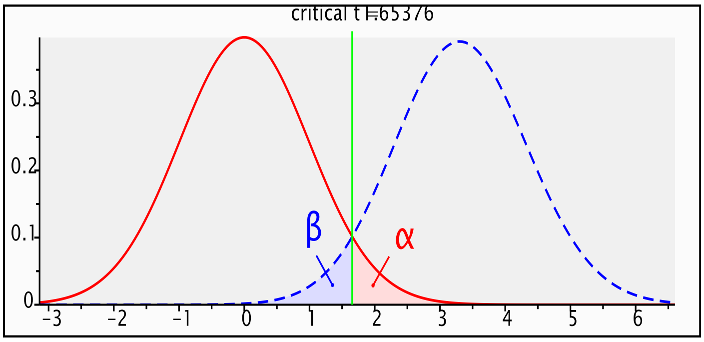
Customers in Amman, Jordan, who are based in Islamic banks and who have accounts with such banks make up the members of the research community. The questionnaires for the research study were made available to customers using Google Online Forms, and they were given the opportunity to participate in the survey by completing them out. between 01.08.2022 - 31.12.2022.

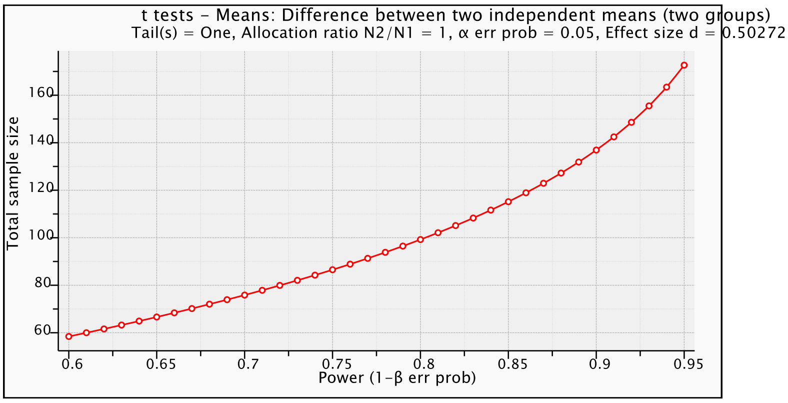
3.4. Sampling Design and Procedure

Persons who can be investigated with the least amount of work are picked for the aim of convenience sampling according to non-random selection criteria (for example, by advertisements on social media or by tagging individuals on a street corner) (Battaglia et al, 2008). The chance of selection for each person in the target population is almost always unique and cannot be determined in advance. This is the case the majority of the time. If one does not know the likelihood that a given category of individuals will be included in the recording, it is impossible to make any modifications to the fact that certain categories of people are more likely to be included in the recording (Pettersson et al, 2005).

The characteristics of the population are not effectively reflected in the sample in any way. It may be helpful to make use of sampling methods that do not depend on chance in the course of exploratory or formative studies involving populations that are not part of the study process. However, samples acquired by non-probability-based sampling processes have limited generalizability, and as a consequence, they are not intended to be utilised for testing a hypothesis for a broader population (Weigel, 2022). This is because the sampling procedures themselves have low generalizability. On the other hand, similar approaches are often used incorrectly as though they were established on a random sample (Bornstein et al., 2013).

In the case of this study, the sample consisted of 169 respondents who are clients of Islamic banks in the city of Amman. Statistical sample calculations for the reliability of the study were performed using G-Power analysis. The sample size was set to 300 based on a 95% confidence interval and a 50% response. Where the total population of the city of Amman reached 169 clients as Figure 1





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t tests – Means: Difference between two independent means (two groups)

Analysis:	A priori: Compute required sample size		
Input:	Tail(s)	=	Two
	Effect size d	=	0.5619
	α err prob	=	0.05
	Power (1-β err prob)	=	0.95
	Allocation ratio N2/N1	=	1
Output:	Noncentrality parameter δ	=	3.6415282
	Critical t	=	1.9743578
	Df	=	166
	Sample size group 1	=	84
	Sample size group 2	=	84
	Total sample size	=	169

Figure 1: G-Power analysis of the sample size of the study (Designed by the researcher)

The researcher specifically targeted all Islamic banks in Oman due to time constraints and financial constraints, also keeping in mind that Islamic banks in Oman are likely to have more customers being a densely populated urban area.

The researcher adopted a simple random sampling method to give potential respondents an equal opportunity to participate in the study. Only those potential respondents who were willing and believed able to provide the requested data were contacted. In the sampling process, the researcher took into consideration different groups of clients to achieve the study objective

Table 2: Number of expected respondents according to the name of the ıslamic bank

No	Branch Name	Respondents No
1	Jordan Islamic Bank	70
2	Al Rajhi Bank	50
3	The International Arab Islamic Bank	30
4	Al-Safwa Islamic Bank	19
	Total	169

Source: Designed and Compiled by the researcher

3.5. Data Collection Methods and Tools

In conducting the study, the researcher was applying primary data It is a number of data that the researcher himself collected through interviews or surveys, and perhaps through practical experiments, which he designed before starting the research in order to understand and solve the research problem that he previously posed (Wagh, 2021) and secondary data collection techniques which scientists have defined as a collection of data collected by a person or association, whether governmental or private, other than the researcher, such as government records or statistics (Malhotra, 2015).

These techniques were used by the researcher to obtain in-depth information about customer participation in Jordanian Islamic banks

3.6. Raw data

Primary data is information collected specifically for the purpose of the investigation under study. The researcher used Google forms through the questionnaires of the respondents in collecting data. Google forms which is a program carried out by Google in order to create a survey to collect and manage data via the Internet, by obtaining a spreadsheet after completing the survey (Lardinois, 2017). In this method the same set of questions were given all of the correspondents.

3.6.1. Questionnaires

The questionnaire was designed by the researcher through the scheduled interview and was self-administered via Google Forms as it was mostly with open questions whose answers were constructive and some closed questions for the bank staff. The purpose of the questionnaire was to compare and evaluate the reviewers' comments and the authors' perception of problems. The questionnaire focused on achieving the research objectives and answering the research questions. The first part of the questionnaire determines the socio-demographic characteristics of people while the second part attempts to identify opportunities and challenges facing the Islamic Banks

3.6.1.1. Socio-demographic

The first part included 9 questions to determine (age, gender, marital status, educational level, job status, satisfaction with income, banks you deal with, how long have you been dealing with Islamic banking, reasons for choosing an Islamic bank) (Attachment 1).

3.6.1.2. Opportunities and challenges facing the Islamic Bank

To assess people’s viewpoints towards the Islamic Bank, opportunities consist of sub-dimensions (customers’ knowledge of Islamic banking services, satisfaction with banking services, access to strong deposits, liquidity and the banking system). It consists of challenges with sub-dimensions (laws, the banking supervisory system and the banking supervisory system). A five-point Likert scale was used. The response options were always (5), often (4), sometimes (3), rarely (2), never (1). Higher scores indicate higher opportunities and higher challenges. The alpha coefficients ranged from 0.85 to 0. 95 (Attachment 2).

3.7. Research Variables

- Dependent variable: Describe the dimensions of opportunities and challenges facing Islamic banks
- Independent variables: Age, gender, marital status, educational level, job status, satisfaction with income, banks you deal with, how long have you been dealing with Islamic banking, reasons for choosing an Islamic bank.

3.8. Data validity and reliability

In this study, the validity and reliability of the data were tested by distributing eight questionnaires to customers of Islamic banks before data collection. The researcher checked the understanding of the respondents to the questions and the credibility of the data provided. Reliability was calculated by calculating the value of Opportunities Cronbach's alpha was 0.85, also Cronbach’s alpha values of Customer knowledge of Islamic banking services, emotional, Satisfaction with banking services and access to solid deposits, Liquidity and Banking system were found to be 0.79, 0.86, 0.72, 0.80 and 0.86 respectively. The value of Cronbach's alpha coefficient for challenges was 0.92 also Cranach’s alpha values for sub-dimensions Laws, banking supervisory system and the influence of employee behavior factor were 0.89, 0.84 and 0.79 respectively.

3.9. Data Analysis Procedures

Data analysis is an important step towards finding a solution to a problem under study, as it was done in this study through two methods, one of which is qualitative and the other is quantitative, as follows:

3.9.1. Data Analysis

In this study, the required information collected was analyzed using qualitative and quantitative data analysis techniques. Data has been edited, entered into a data analysis software application, cleaned, coded, and ready for analysis.

3.9.2. Editing

Data editing is the procedure that improves the quality of data encryption. Information from the study was carefully checked to ensure completeness, accuracy, clarity, and standardization.

3.9.3. Data entry

Data were entered into a computer and analyzed using the IBM SPSS Statistics 26.0 software package (SPSS Inc, Chicago, IL, USA).

3.9.4. Coding and Kind of Analysis

During coding, the collected data is categorized and converted into codes that can be tabulated and counted as used. Depending on the outcome of the questionnaire and data entry, the data was kept in the format that yields the best SPSS output. After coding, the data was ready for analysis. Descriptive values were expressed as numbers, percentages, mean, standard deviation, minimum, and maximum. The level of statistical significance would be $p \leq 0.05$.

4. FINDINGS

This study aims to assess the opportunities and challenges for Jordanian Islamic banks. The results of the research were discussed in 3 parts, the first of which is the descriptive characteristics of the research group, the second is the assessment of opportunities for Jordanian Islamic banks, and the third is the assessment of challenges for Jordanian Islamic banks.

Table 3: Distribution of mean opportunities and challenges level

Items	Min	Max	Mean	SD	Median	Skewness	Kurtosis
Opportunities							
Total opportunities score	41.26	116.26	71.57	15.66	70.26	1.61	-0.98
Customer knowledge of Islamic banking services	15.00	33.00	22.78	3.70	23.00	0.07	-0.62
Satisfaction with banking services and access to solid deposits	9.00	32.00	18.02	4.36	18.00	0.35	-0.14
Liquidity	9.00	30.00	17.69	4.68	17.00	0.65	-0.11
Banking system	8.26	21.26	13.07	2.91	12.26	0.52	-0.09
Total challenges score	72.00	170.00	108.15	18.25	94.00	1.38	1.41
Laws	32.00	32.00	44.75	6.69	44.00	0.592	0.23
Banking supervisory system	10.00	10.00	13.45	2.26	13.00	1.31	1.27
The influence of employee behavior factor	20.00	20.00	36.48	7.02	37.00	0.07	-0.09

In Table 3: The skewness and kurtosis test was found using a normal distribution. It was determined that the average total score for opportunities was 70.26, and the average total score for challenges was 94.00. The skewness and kurtosis values are found to be between +2 and -2.

Table 4: comparison of opportunities for the average scores of sub-dimensions according to all socio-demographic variables

Variables		**n**	**Customer knowledge**	**Satisfaction with banking services**	**Liquidity**	**Banking system**
			M±SD	**M±SD**	**M±SD**	**M±SD**
Age	**20-30 years**	29	23.03± 4.71	17.48± 4.11	19.72± 5.24	13.32± 3.46
	31-40 years	47	20.42± 3.64	16.00± 4.99	17.91± 5.21	12.91± 2.70
	41-50 years	78	23.52± 2.75	18.92± 3.85	16.98± 4.26	13.23± 2.97
	51-60 years	15	25.80± 1.78	20.80± 2.00	16.73± 2.60	12.26± 2.00
Test value/ F			13.05	7.40	2.73	0.58
p-value			**0.00**	**0.00**	**0.04**	0.62
Gender	**Male**	40	23.17± 4.23	16.17± 5.08	19.30± 5.58	13.19± 3.21
	Female	129	22.65± 3.53	18.60± 3.96	17.19± 4.27	12.79± 2.79
Test value/ t-test			0.76	-3.15	2.53	2.28
p-value			0.29	0.38	**0.00**	0.11
Marital status	**Single**	68	22.70± 3.64	17.82± 3.93	16.79± 4.45	12.51± 2.98
	Married	101	22.83± 3.76	18.16± 4.64	18.29± 4.76	13.45± 2.81
Test value/ t-test			-0.21	-0.50	-2.06	-2.09
p-value			0.70	0.42	0.33	0.41
The educational level	**Less than secondary**	29	22.96± 4.63	16.55± 4.64	19.72± 5.48	13.98± 3.37
	High school	117	22.58± 3.50	18.28± 4.44	17.70± 4.56	13.01± 2.85
	Bachelor's degree	20	23.45± 3.66	18.75± 3.16	15.40± 2.56	12.46± 2.37
	Master's / Ph.D	3	24.33± 1.15	17.66± 3.78	13.00± 2.00	10.92± 1.52
Test value/ F			0.526	1.43	4.70	1.82
p-value			0.66	0.23	**0.00**	0.14
Employment status	**Unemployed**	24	24.08± 3.14	19.58± 3.07	16.12± 2.52	13.05± 3.77
	Worker	45	22.82± 3.61	18.04± 4.53	18.17± 5.01	12.92± 3.63
	Self-employed	19	25.05± 3.67	18.73± 3.85	17.89± 5.98	13.52± 3.17
	Student	20	21.55± 3.39	16.75± 4.65	18.80± 3.44	13.41± 2.00
	Job seeker	18	21.61± 3.44	17.55± 5.65	18.66± 5.34	13.37± 2.44
	Unable to work	17	22.76± 3.56	18.82± 4.00	16.05± 3.03	12.84± 2.67

	Retired	26	21.61± 4.03	18.02± 4.36	17.69± 5.57	12.72± 3.02
Test value/ F			2.97	1.34	1.20	0.24
p-value			**0.00**	0.24	0.30	0.96
Satisfaction with income	**Satisfied**	66	22.92± 3.83	18.43± 4.500	18.43± 4.50	13.15± 3.44
	Somewhat satisfied	86	23.19± 3.49	17.97± 4.07	17.97± 4.07	13.08± 2.60
	Not satisfied	17	20.11± 3.35	16.70± 5.19	16.70± 5.19	13.08± 2.60
Test value/ F			5.23	1.08	2.70	0.14
p-value			**0.00**	0.34	0.07	0.86
The banks you deal with	**Islamic banks**	136	22.66± 3.66	17.97± 4.31	17.73± 4.56	13.09± 2.89
	Conventional banks	33	23.27± 3.88	18.24± 4.63	17.51± 5.23	13.01± 3.02
Test value/ t			-.084	-0.31	0.24	0.12
p-value			0.64	0.62	0.49	0.97
Duration of the dealing with Islamic banking	**Less than 5 years**	113	22.53± 3.51	17.95± 4.28	17.72± 4.64	12.77± 2.77
	5 -10 years	39	23.23± 4.19	18.17± 4.02	17.20± 4.64	13.36± 3.18
	More than 10 years	17	23.35± 3.82	18.17± 5.73	18.58± 5.17	14.43± 2.89
Test value/ F			0.72	0.04	0.52	2.70
p-value			0.48	0.95	0.59	0.07
Reasons for choosing an Islamic bank	**Compliance with Sharia**	27	22.70± 3.93	18.14± 4.99	18.02± 4.36	12.37± 2.90
	Bank reputation	86	22.90± 3.69	18.40± 3.94	17.33± 5.11	13.37± 2.68
	Customer awareness	56	22.62± 3.66	17.39± 4.66	17.36± 4.34	12.95± 3.22
Test value/ F			0.10	0.92	0.88	1.29
p-value			0.90	0.39	0.41	0.27

In Table 4, when the chances were compared and the average score of the sub-dimension was compared according to the variable “age”, a statistically significant difference was observed between the means at the level of significance ($p<0.05$).

It is also according to the variable "Gender, The educational level, Employment status, Satisfaction with income”. a statistically significant difference was observed between the means at the level of significance ($p<0.05$).

Table 5: Comparison of challenges for the average scores of sub-dimensions according to all socio-demographic variables

Variables		n	Laws	Banking supervisory system	The influence of employee behavior factor
			M±SD	**M±SD**	**M±SD**
Age	**20-30 years**	29	46.13± 6.63	13.68± 2.30	36.93± 5.75
	31-40 years	47	46.36± 7.18	14.17± 2.28	36.61± 6.93
	41-50 years	78	44.20± 6.22	12.97± 2.30	36.14± 7.76
	51-60 years	15	39.93± 5.31	13.26± 1.27	37.00± 5.87
Test value/ F			4.32	2.96	0.13
p-value			**0.00**	**0.03**	0.94
Gender	**Male**	40	48.55± 8.10	13.62± 1.44	35.00± 7.20
	Female	129	43.58± 5.74	13.52± 2.46	36.79± 6.96
Test value/ t-test			4.30	-0.73	-1.01
p-value			**0.00**	**0.01**	0.76
Marital status	**Single**	68	43.98± 6.63	12.95± 1.58	36.48± 7.22
	Married	101	45.27± 6.72	13.79± 2.58	36.48± 6.92
Test value/ t-test			-1.23	-2.38	0.00
p-value			0.33	**0.00**	0.81
The educational level	**Less than secondary**	29	47.79± 7.79	13.51± 2.06	35.68± 7.62
	High school	117	45.03± 6.06	13.71± 2.35	37.26± 6.85
	Bachelor's degree	20	39.95± 5.60	12.05± 1.60	32.80± 6.62
	Master's / PhD	3	36.66± 4.04	12.00± 0.00	38.33± 1.52
Test value/ F			7.78	3.66	2.58
p-value			**0.00**	**0.01**	**0.05**
Employment status	**Unemployed**	24	42.41± 5.27	13.00± 1.25	36.42± 7.02
	Worker	45	43.82± 5.98	12.80± 1.72	35.21± 9.02
	Self-employed	19	46.00± 10.48	12.89± 1.69	35.40± 7.52
	Student	20	46.55± 6.30	13.00± 1.77	37.55± 6.18
	Job seeker	18	46.22± 6.08	13.44± 1.97	39.17± 5.52
	Unable to work	17	41.94±	14.76±	35.19±

			3.47	2.94	6.89
	Retired	26	46.30± 6.85	14.92± 3.22	36.48± 7.02
Test value/ F			2.30	4.33	0.85
p-value			**0.03**	**0.00**	0.52
Satisfaction with income	**Satisfied**	66	45.25± 7.06	13.07± 1.80	37.13± 6.98
	Somewhat satisfied	86	43.87± 6.61	13.05± 1.79	35.73± 7.24
	Not satisfied	17	47.29± 4.83	16.94± 3.05	37.76± 5.87
Test value/ F			2.18	30.05	1.06
p-value			0.11	**0.00**	0.34
The banks you deal with	**Islamic banks**	136	44.43± 6.42	13.13± 1.96	36.11± 7.04
	Conventional banks	33	46.09± 7.70	14.75± 2.91	38.03± 6.80
Test value/ t			-1.27	-3.82	-1.41
p-value			0.43	**0.00**	0.82
Duration of the dealing with Islamic banking	**Less than 5 years**	113	44.48± 6.91	13.51± 2.36	37.18± 7.01
	5 -10 years	39	44.38± 5.99	13.25± 1.71	34.89± 7.52
	More than 10 years	17	47.41± 6.51	13.52± 2.76	35.47± 5.24
Test value/ F			1.49	0.19	1.75
p-value			0.22	0.82	0.17
Reasons for choosing an Islamic bank	**Compliance with Sharia**	27	45.03± 6.29	13.00± 1.92	34.77± 6.21
	Bank reputation	86	45.09± 7.14	13.45± 2.07	36.27± 7.53
	Customer awareness	56	44.10± 6.23	13.67± 2.67	37.62± 6.47
Test value/ F			0.39	0.81	1.58
p-value			0.67	0.44	0.20

In Table 5, when the chances were compared and the average score of the sub-dimension was compared according to the variable “age”, a statistically significant difference was observed between the means at the level of significance ($p<0.05$).

It is also according to the variable "Gender, Marital status, Employment status, Satisfaction with income, the banks you deal with it" a statistically significant difference was observed between the means at the level of significance ($p<0.05$)

Table 6: Examining the relationships between the opportunities and challenges and the scores of the sub-dimensions of the scale with each other using the Pearson coefficient

Variables		Challenges/ Laws	Challenges/ Banking Supervisory System	Challenges/The Influence of Employee Behavior Factor
Opportunities/ Customer Knowledge of Islamic Banking Services	**Pearson Correlation**	-.036	-.130*	.014
	Sig. (1-tailed)	.320	**.045**	.426
	N	169	169	169
Opportunities/ Satisfaction With Banking Services and Access to Solid Deposits	**Pearson Correlation**	-.052	-.033	.142*
	Sig. (1-tailed)	.252	.337	**.033**
	N	169	169	169
Opportunities/ Liquidity	**Pearson Correlation**	.383**	.042	.038
	Sig. (1-tailed)	**.000**	.292	.313
	N	169	169	169
Opportunities/ Banking System	**Pearson Correlation**	.262**	-.081	-.022
	Sig. (1-tailed)	**.000**	.148	.388
	N	169	169	169

**Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

In Table 6, the coefficients for the relationships between opportunities and challenges are given. There are high positive correlations between Opportunities/ Customer knowledge of Islamic banking services and Challenges/Banking supervisory system at the level of significance ($p<0.05$).

There is a high positive correlation between opportunities/satisfaction with banking services and access to solid deposits and between challenges/The influence of employee behavior factor at the level of significance ($p<0.05$) In addition to the existence of a positive relationship between Opportunities/liquidity and Challenges/ Laws at the level of significance ($p<0.05$). Finally, there is a positive correlation between Opportunities/banking system and between Challenges / Laws at the level of significance ($p<0.05$).

CONCLUSION

This study took into account the opportunities and challenges of Jordanian Islamic banks, which is a measure to classify the opportunities and challenges facing Islamic banks in Jordan, divided into sub-dimensions: Customer knowledge, Satisfaction with banking services, Liquidity, Banking system. Jordanian Islamic banks and between age, gender, marital status, educational level, job status and income satisfaction ($p<0.05$).

There is also a non-significant effect between opportunities in Jordanian Islamic banks and between the banks you deal with, Duration of the dealing with Islamic banking and Reasons for choosing an Islamic bank ($p>0.05$).

The study also found that there is a significant effect between all the sub-dimensions of the challenges in the Jordanian Islamic banks and between age, gender, marital status, the educational level, job status, income satisfaction, the banks you deal with ($p<0.05$).

In addition, there is a non-significant effect between the challenges in the Jordanian Islamic banks and duration of the dealing with Islamic banking, and reasons for choosing an Islamic bank ($p>0.05$). Also, the study suggests the need to provide social culture to customers in the role of Islamic banks, and creation of a special department for assistance and guidance to raise the cultural level, especially the low educational level, in the services of the Islamic Bank.

This study recommends involving bank employees in educational sessions about opportunities and challenges in banks. Islamic Banking, conducting campaigns for customers with the aim of increasing awareness of Islamic banking services, by forming a technical team to direct customers to Islamic banking services, in addition to, in future research, separating two variables (opportunities and challenges) to apply the two tools and the ability to link them.

It also recommends preparing a series of training programs for employees of Islamic banks, and educational programs must be developed, especially for graduate students. In addition, the level of community education regarding Islamic banking services in Jordan must be raised, and the study must be repeated on a larger sample to generalize the results.

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Attachments 1: Socio-demographic

We invite you to conduct a research entitled "Opportunities and Challenges for Jordanian Islamic Banks" by Rania Zaki Yousef Barakat. Before you decide whether or not to participate in this research, you need to know why and how to conduct the research. Therefore, it is very important that you read and understand this form. If there is something you do not understand and is not clear to you, or if you want more information, ask us. Participation in this study is completely voluntary. You have the right not to participate in the study or to withdraw from the study at any time after participation. Your response to the study will be interpreted as your consent to participate in the study. Do not be pressured or suggested by anyone while answering the questions on the forms provided to you. Personal information obtained from these forms will be kept strictly confidential and will be used for research purposes only.

First section is demographic data

1- Age ....

2- Gender

☐ Male

☐ Female

3- Marital status

☐ Single

☐ Married

4- The educational level

☐ Less than secondary

☐ High school

☐ Bachelor's degree

☐ Master's / Ph.D

5- Employment status

☐ Unemployed

☐ Worker

□ Self-employed

□ Student

□ Job seeker

□ Unable to work

□ Retired

6- Satisfaction with income

□ Satisfied

□ Somewhat satisfied

□ Not satisfied

7- The banks you deal with

□ Islamic banks

□ Conventional banks

8- How long have you been dealing with Islamic banking?

□ Less than 5 years

□ 5-10 years

□ More than 10 years

9- Reasons for choosing an Islamic bank

□Compliance with Sharia

□Bank reputation

□Customer awareness

الفرص والتحديات للمصارف الإسلامية الأردنية

ندعوكم لإجراء بحث بعنوان " الفرص والتحديات للمصــارف الإســلامية الأردنية " الذي رانيا زكي يوســف بركات، قبل أن تقرر ما إذا كنت ســتشــارك في هذا البحث أم لا ، تحتاج إلى معرفة ســـبب وكيفية إجراء البحث. لذلك ، من المهم جدًا قراءة هذا النموذج وفهمه. إذا كان هناك شــيء لا تفهمه وغير واضــح لك ، أو إذا كنت تريد المزيد من المعلومات ، اســألنا. المشــاركة **في هذه الدراســة تطوعية تمامًا. يحق لك عدم المشــاركة في الدراســة أو الانســحاب من الدراســة في أي وقت بعد المشــاركة**. ســيتم تفســير ردك على الدراســة على أنه موافقتك على المشــاركة في الدراســة. لا تتعرض لضــغط أو اقتراح من أي شــخص أثناء الإجابة على الأســئلة الواردة في الاســتمارات المقدمة لك. ســيتم الاحتفاظ بالمعلومات الشــخصــية التي تم الحصــول عليها من هذه النماذج في سرية تامة وسيتم استخدامها لأغراض البحث فقط.

القسم الاول البيانات الديموغرافية

1- العمر................

2- الجنس

- ذكر
- انثى

3- الحالة الاجتماعية

- اعزب
- متزوج

4- المستوى التعليمي

- أقل من الثانوية
- المدرسة الثانوية
- بكالوريوس
- ماجستير/ دكتوراه

5- الحالة الوظيفية

- عاطل عن العمل
- عامل
- العاملون لحسابهم الخاص
- طالب
- باحث عن عمل
- غير قادر على العمل

- متقاعد

6- الرضا عن الدخل

- راضٍ
- راضٍ بعض الشيء
- غير راضٍ

7- البنوك التي تتعامل معها

- البنوك الإسلامية
- البنوك التقليدية

8- منذ متى وأنت تتعامل مع الصيرفة الإسلامية

- أقل من 5 سنوات
- 5-10 سنوات
- أكثر من 10 سنوات

9- اسباب اختيار البنك الإسلامي

- التوافق مع الشريعة
- سمعة البنك
- وعي العميل

Attachments 2: Opportunities and challenges facing the Islamic Bank

Items	Always	Often	Sometimes	Rarely	Never
Opportunities					
Customer knowledge of Islamic banking services					
1. Islamic banking services comply with religious principles					
2. Islamic banks not dealing with usurious interest is the main motive for dealing with it.					
3. Islamic banking system is better than conventional banks					
4. I have complete confidence in my dealings with Islamic banks					
5. Islamic banks take into account the prices of financial services with Sharia controls					
6. My religious desire to deal with Islamic banks increases because of the blessings I derive from this dealing					
7. Principles of Islamic law replace usurious transactions					
8. My religious culture is always linked to banking products					
9. It should be fatwas to promote the services of Islamic banks					
Satisfaction with banking services and access to solid deposits					
1. I am generally satisfied with the level of services provided by the bank					
2. I see that our ATMs, which are spread across Jordan, are installed in convenient locations					
3. I am satisfied with the window services provided by Islamic banks					
4. I am satisfied with the services provided by the call center in Islamic banks					
5. I am satisfied with your use of Islamic Bank credit cards					
6. I am satisfied with the real estate loan services and car financing loans at the Islamic Bank					
7. I advise my colleagues and relatives to deal with the Islamic Bank					
Liquidity					
1. Islamic banks provide loans and have high liquidity					
2. I have one bank account in the Islamic Bank					
3. I have an account in more than one Islamic bank in Jordan					
4. The best Islamic banks because of the quality of services and ease of access					
5. In my opinion, the Islamic banking system is better than the traditional banking system					
6. I think Islamic banks should be promoted in Jordan					
7. I think Islamic banks should be shut down in Jordan					
8. I think Islamic banks should continue as they are now					
Banking system					

1. The Islamic banking system is compatible with Islamic Sharia and is considered part of the global banking system					
2. The Islamic bank mixes funds from Sharia-compliant sources with other prohibited sources					
3. I believe that the current Islamic banking system will solve the financial problems of the Muslim community					
4. The system in the Islamic Bank is fair from an economic point of view					
5. Banking services based on Islamic windows are accessible and easy to use					
6. There is a real demand for a complete and Sharia-compliant banking system in Jordan					
challenges					
Laws					
1. Sources of challenges in Jordanian Islamic banks, Jordanian laws					
2. International laws are among the most important sources of challenges					
3. The introduction of the Islamic window system in conventional banks is one of the most important sources of challenges and international pressures					
4. Purely economic reasons that may affect the Islamic banking sector					
5. Lack of trained human resources in the Islamic banking sector					
6. Lack of organized efforts by decision makers					
7. Lack of awareness in the leadership of the Central Bank					
8. It can be a challenge for existing banking system service providers to create a fully legitimate company					
9. There are clear political instructions and tools to facilitate any window that is compatible with Islamic law					
10. The current banking service is little promoted					
11. The bank does not work according to the basic rules of the Basel Committee as guidelines for the development of international regulatory regulations					
12. The supervisory authority requires financial institutions to obtain a rating from international rating agencies					
13. There are arrangements to protect and guarantee deposits					
14. Islamic banks are allowed to engage in commercial banking and insurance activities					
15. The central bank or any other relevant body in the country has developed standards and procedures for risk management in Islamic banks					
16. The supervisory authority requires risk-based capital requirements for Islamic banks					
17. Islamic banks rely on international accounting and auditing standards on a regular, regular basis in their work					
18. Developed laws and standards for institutional management in Islamic banks					

19. Islamic banks are required to provide any guidelines related to their corporate governance structures and applications					
20. Islamic banks are required to submit updated reports to the supervisory authorities on a regular basis					
Banking supervisory system					
1. The managers and supervisors of the central bank provide the practical evidence of not being biased against Islamic banks					
2. Islamic banks enjoy political independence in performing their commercial mission					
3. There is a non-independent and effective financial regulatory body that does not have non-independent investigative powers and resources					
4. There are no oversight bodies interested in controlling improper commercial operations and practices, nor do they have broad investigative powers.					
5. The records kept by banks are accurate and up-to-date					
6. The disclosure policy includes an evaluation of the quality of disclosure of the results of the banks' operations, their financial statements, subsidiaries, shareholders, voting rights, members of the Board of Directors and their allocations, and issues such as off-balance sheet liabilities and risks.					
7. International accounting and auditing standards are routinely referred to					
The influence of employee behavior factor					
1. Bank employees must answer customer questions truthfully and appropriately.					
2. Bank employees must have sufficient knowledge and experience in the workplace.					
3. Bank employees must be polite and friendly.					
4. It is important that there is good coordination among the employees.					
5. Prompt service should be provided by the staff at the counters.					
6. Bank employees must be skilled in providing services.					
7. The management of the bank has to deal with the complaints related to the performance of the bank staff.					
8. Employees must explain to customers the necessary and comprehensive procedures for transactions.					
9. Influence of the media factor					
10. Media advertising, providing reliable information from Islamic banks.					
11. Mass media advertising creates customer awareness.					
12. Mass media for advertising, helping to convince interested customers.					
13. The media provides complete information about new products.					
14. The media helps motivate customers to choose an Islamic bank.					

القسم 2: الفرص والتحديات التي تواجه البنك الاسلامي

البيان	دائما	غالبا	في بعض الاحيان	نادرا	مطلقا
الفرص	**5**	**4**	**3**	**2**	**1**
معرفة العملاء بالخدمات المصرفية الاسلامية	**5**	**4**	**3**	**2**	**1**
1. خدمات البنوك الإسلامية تتوافق مع المبادئ الدينية	**5**	**4**	**3**	**2**	**1**
2. عدم تعامل البنوك الإسلامية بفوائد ربوية هو الدافع الرئيسي لتعاملي معه .	**5**	**4**	**3**	**2**	**1**
3. نظام البنوك الاسلامية أفضل من البنوك التقليدية	**5**	**4**	**3**	**2**	**1**
4. ثقتي التامة في تعاملي مع البنوك الاسلامية	**5**	**4**	**3**	**2**	**1**
5. البنوك الاسلامية يراعي أسعار الخدمات المالية بضوابط شرعية	**5**	**4**	**3**	**2**	**1**
6. تزداد رغبتي الدينية في التعامل مع البنوك الاسلامية بسبب البركة التي أجنيها من هذا التعامل	**5**	**4**	**3**	**2**	**1**
7. مبادئ الشريعة الاسلامية تحل محل المعاملات الربوية	**5**	**4**	**3**	**2**	**1**
8. ثقافتي الدينية مربوطة دوما بمنتوجات البنوك	**5**	**4**	**3**	**2**	**1**
9. يجب أن تكون فتاوي لترويج خدامات البنوك الاسلامية	**5**	**4**	**3**	**2**	**1**
الرضا عن الخدمات المصرفية والحصول على ودائع قوية	**5**	**4**	**3**	**2**	**1**
1. انا راضٍ بشكل عام عن مستوى الخدمات التي يقدمها البنك	**5**	**4**	**3**	**2**	**1**
2. ارى أن ماكينات الصراف الآلي التابعة لنا	**5**	**4**	**3**	**2**	**1**

والمنتشرة في الاردن مثبتة في مواقع مريحة					
3. انا راضٍ عن خدمات الشباك المقدمة في البنوك الاسلامية	**5**	**4**	**3**	**2**	**1**
4. انا راضٍ عن الخدمات التي يقدمها مركز الاتصال في البنوك الاسلامية	**5**	**4**	**3**	**2**	**1**
5. انا راضٍ عن استخدامك لبطاقات ائتمان البنك الاسلامي	**5**	**4**	**3**	**2**	**1**
6. انا راضٍ عن خدمات القروض العقارية وقروض تمويل شراء السيارات في البنك الاسلامي	**5**	**4**	**3**	**2**	**1**
7. انصح زملائي واقاربي بالتعامل مع البنك الاسلامي	**5**	**4**	**3**	**2**	**1**
	5	**4**	**3**	**2**	**1**
السيولة	**5**	**4**	**3**	**2**	**1**
1. توفر البنوك الاسلامية قروض ولديها سيولة عالية	**5**	**4**	**3**	**2**	**1**
2. يوجد لدي حساب مصرفي واحد في البنك الاسلامي	**5**	**4**	**3**	**2**	**1**
3. يوجد لدي حساب في اكثر من بنك اسلامي في الاردين	**5**	**4**	**3**	**2**	**1**
4. افضل البنوك الاسلامية بسبب جودة الخدمات وسهولة الوصول اليها	**5**	**4**	**3**	**2**	**1**
5. النظام المصرفي الاسلامي برأي افضل من النظام المصرفي التقليدي	**5**	**4**	**3**	**2**	**1**
6. اعتقد ان البنوك الاسلامية يجب ترقيته في الاردن	**5**	**4**	**3**	**2**	**1**

1	2	3	4	5	اعتقد ان البنوك الاسلامية يجب اغلاقه في الاردن	.7
1	2	3	4	5	اعتقد ان البنوك الاسلامية يجب ان تستمر كما هي حاليا	.8
1	2	3	4	5	**النظام المصرفي**	
1	2	3	4	5	نظام البنك الاسلامي متوافق مع الشريعة الاسلامية ويعتبر جزء من النظام المصرفي العالمي	.1
1	2	3	4	5	يقوم البنك الاسلامي بخلط الاموال من المصادر المتوافقة مع الشريعة مع مصادر اخرى محرمة	.2
1	2	3	4	5	اعتقد ان النظام في البنك الاسلامي الحالي سوف يحل المشاكل المالية الخاصة بالمجتمع المسلم	.3
1	2	3	4	5	النظام في البنك الاسلامي عادل من الناحية الاقتصادية	.4
1	2	3	4	5	خدمات المصارف القائمة على النوافذ الاسلامية سهلة المنال وسهلة الاستخدام	.5
1	2	3	4	5	هناك طلب حقيقي على نظام مصرفي كامل ومتوافق مع الشريعة الاسلامية في الاردن	.6
مطلقا	**نادرا**	**في بعض الاحيان**	**غالبا**	**دائما**	**التحديات**	
1	2	3	4	5	**القوانين**	
1	2	3	4	5	مصادر التحديات في البنوك الاسلامية الاردنية القوانين الاردنية	.1
1	2	3	4	5	القوانين العالمية من اهم مصادر التحديات	.2

1	**2**	**3**	**4**	**5**	3. ادخال نظام النافذة الاسلامية في البنوك التقليدية من اهم مصادر التحديات ضغوط دولية
1	**2**	**3**	**4**	**5**	4. اسباب اقتصادية بحتة قد تؤثر على القطاع المصرفي الاسلامي
1	**2**	**3**	**4**	**5**	5. نفص الموارد البشرية المدربة في القطاع المصرفي الاسلامي
1	**2**	**3**	**4**	**5**	6. عدم وجود جهود منظمة من قبل اصحاب القرار
1	**2**	**3**	**4**	**5**	7. قلة الوعي في قيادة البنك المركزي
1	**2**	**3**	**4**	**5**	8. يمكن لمقدمي خدمات النظام المصرفي الحاليين ان يمثلوا تحديا لانشاء شركة شرعية كاملة
1	**2**	**3**	**4**	**5**	9. هناك تعليمات وادوات سياسية واضحة لتسهيل اي منها نافذة متوافقة مع الشريعة الاسلامية
1	**2**	**3**	**4**	**5**	10. الخدمة المصرفية الحالية يتم الترويج لها بشكل قليل
1	**2**	**3**	**4**	**5**	11. لا يتم العمل في البنك بموجب القواعد الاساسية للجنة بازل كموجهات لوضع اللوائح الرقابية العالمية
1	**2**	**3**	**4**	**5**	12. تتطلب الجهة الإشرافية من المؤسسات المالية ان تحصل على تصنيف من وكالات تصنيف دولية
1	**2**	**3**	**4**	**5**	13. يوجد هناك ترتيبات لحماية الودائع وضمانها

1	**2**	**3**	**4**	**5**	14. يسمح للبنوك الاسلامية ان تدخل في نشاطات مصرفية تجارية تأمين
1	**2**	**3**	**4**	**5**	15. طور البنك المركزي او اي جهة اخرى ذات علاقة في البلد معايير واجراءات لادارة المخاطر في البنوك الاسلامية
1	**2**	**3**	**4**	**5**	16. تتطلب السلطة الرقابية متطلبات رأس المال تقوم على حساب المخاطر بالنسبة للمصارف الاسلامية
1	**2**	**3**	**4**	**5**	17. تستند البنوك الاسلامية على معايير المحاسبة والمراجعة الدولية بصورة روتينية منتظمة في اعمالها
1	**2**	**3**	**4**	**5**	18. وضعت قوانين ومعايير للإدارة المؤسسية في البنوك الاسلامية
1	**2**	**3**	**4**	**5**	19. يتطلب من البنوك الاسلامية تقديم اي موجهات تتعلق بهياكل وتطبيقات الإدارة المؤسسية لديها
1	**2**	**3**	**4**	**5**	20. يطلب من البنوك الاسلامية تسليم تقارير موجدة للجهات الاشرافية بصورة منتظمة
					النظام الرقابي المصرفي
1	**2**	**3**	**4**	**5**	1. يقدم المدراء والمشرفون في البنك المركزي الدليل العملي بعدم التحيز ضد البنوك الاسلامية
1	**2**	**3**	**4**	**5**	2. تتمتع البنوك الاسلامية بالاستقلال

السياسي في اداء مهمته التجارية					
3. توجد جهاد رقابية مالية غير مستقلة وفعال ليس لديها سلطات وموارد غير مستقلة في التحري	5	4	3	2	1
4. لا توجد جهات رقابية مهتمة بالتحكم في العمليات والممارسات التجارية غير السليمة كما انه لا يوجد لديها سلطات واسعة في التحري	5	4	3	2	1
5. ان السجلات التي تحتفظ بها البنوك دقيقة وحديثة	5	4	3	2	1
6. تتضمن سياسة الافصاح تقييما لنوعية الافصاح عن نتائج اعمال البنوك والبيانات المالية لها وعن الشركات التابعة والمساهمين وحقوب وحقوق التصويت واعضاء مجلس الادارة ومخصصاتهم وقضايا مثل المطلوبات خارج الميزانية والمخاطر	5	4	3	2	1
7. يتم الرجوع لمعايير المحاسبة والمراجعة الدولية بصورة روتينية	5	4	3	2	1
تأثير عامل سلوك الموظفين					
1. يجب على موظفي البنك الإجابة على أسئلة العملاء بصدق وبشكل ملائم.	5	4	3	2	1
2. يجب أن يكون لدى موظفي البنك معرفة وخبرة كافية في مكان العمل.	5	4	3	2	1

1	**2**	**3**	**4**	**5**	3. يجب أن يكون موظفو البنك مهذبين وودودين.
1	**2**	**3**	**4**	**5**	4. من المهم أن يكون هناك تنسيق جيد بين الموظفين.
1	**2**	**3**	**4**	**5**	5. يجب تقديم خدمة سريعة من قبل الموظفين في العدادات.
1	**2**	**3**	**4**	**5**	6. يجب أن يكون موظفو البنك ماهرين في تقديم الخدمات.
1	**2**	**3**	**4**	**5**	7. يجب على إدارة البنك التعامل مع الشكاوى المتعلقة بأداء موظفي البنك.
1	**2**	**3**	**4**	**5**	8. يجب على الموظفين شرح للعملاء الإجراءات الضرورية والشاملة للمعاملات.
1	**2**	**3**	**4**	**5**	9. تأثير عامل الإعلام
1	**2**	**3**	**4**	**5**	10. الدعاية الإعلامية ، توفير معلومات موثوقة من البنوك الإسلامية.
1	**2**	**3**	**4**	**5**	11. وسائل الإعلام الجماهيري الإعلان يخلق وعي العملاء.
1	**2**	**3**	**4**	**5**	12. وسائل الإعلام الجماهيرية للإعلان ، مما يساعد على إقناع العملاء المهتمين.
1	**2**	**3**	**4**	**5**	13. توفر وسائل الإعلام معلومات كاملة حول المنتجات الجديدة.
1	**2**	**3**	**4**	**5**	14. تساعد وسائل الإعلام في تحفيز العملاء على اختيار بنك إسلامي.

CURRICULUM VITAE

Rania Zaki Youssef BARAKAT, graduated from the University of Islamic Sciences in Jordan with a bachelor's degree. I am also obtained a certificate in language proficiency in English from University of Islamic Sciences-Jordan, and Turkish language proficiency from Karabuk University-Turkiye,