

The importance of Islamic banks and their role in investment

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Abstract : The research aims to highlight the role of Islamic banks in investment projects and their relationship to social and economic development. Islamic banks, which carry out their work and activities in accordance with Islamic law and have an effective role in the investment process, face many problems. Islamic banks face many problems, including the unsuitability of the environment, the lack of researchers and scholars interested in it, and the lack of a culture in them. just as the Central Bank deals equally with all Islamic banks and needs support and assistance, the alternative hypothesis confirms the existence of a correlation between the importance of Islamic banks and investment. The research also used a number of statistical methods, arithmetic means and standard deviation, and the research used the SPSS program for the purpose of demonstrating the impact of Islamic banks on investment. The researcher created the regression model used and the t-test values and their significance. The study reached a set of conclusions, the most important of which is that there is a positive, morally significant relationship between the importance of Islamic banks and investment, and that any increase or decrease in the importance of Islamic banks leads to an increase or decrease in investment. We reached a number of recommendations on the necessity of raising the capabilities and capacities of banking tools in Iraqi Islamic banks at all administrative and operational levels to advance the reality of financial and banking services.

Introduction: Islamic banks are committed to applying the provisions of Islamic Sharia in all banking and investment transactions by applying the concept of financial intermediation based on sharing in profit or loss and through the framework of public and private agencies. The research aims to achieve profit and the developmental concept of Islamic banks, increasing production capacity, making good use of what is available, and strengthening the structure. Economic structure and comprehensive industrialization, as well as developing economic sectors in a balanced manner, reducing unemployment, and paying attention to the human element. The importance of Islamic banks is diverse and wide. They provide financial services and activities, including deposits, loans, foreign currency exchange, and others. Islamic banks are licensed institutions that provide banking services on a non-usurious basis. They practice opening current accounts and accepting investment deposits in accordance with the principles of Islamic Sharia. Investment is the process of creating new capital by increasing productive capacities. The research hypothesis is that the absence of a correlation between the importance of Islamic banks and the alternative hypothesis confirms the existence of a correlation between the importance of Islamic banks and investment.

The first axis: research methodology

First: the research problem

Islamic banks face many problems. This is due to their lack of experience and the inappropriate environment in which they operate. The lack of culture among citizens and the fact that the Central Bank deals equally with all Islamic and non-Islamic banks. This needs support and backing, in addition to the lack of researchers, scholars and those interested in it, if it is the banking system. Most people deal with interest in the country. It is extremely difficult to envision or imagine something different or different without being exposed to problems due to the possibility of usury. The success of the Islamic bank in dealing with these problems in a non-usurious manner in accordance with Islamic law leads to its isolation from the rest of the banking system, and it may turn into a company. An investment that acts as an intermediary between surplus units and deficit units

Second: The importance of research

The importance of this research appears from the fact that the social and economic characteristic of Islamic banks is one of the most important distinguishing characteristics of these banks. On the importance of Islamic banks in investment projects, this requires the need to search for the truth of this role. This will be done by identifying and shedding light on the role of Islamic banks at any time and place, as they are closely linked. Close to the noble Islamic law, which God Almighty has made the final law that is valid in every time and place.

Third: Research hypothesis

- 1 -There is no correlation between the importance of Islamic banks and investment.
- 2 -There is a correlation between the importance of Islamic banks and investment.

Fourth: Research objectives

The goals of Islamic banks are to establish an Islamic economy on the basis that the goal is not limited to achieving profit, and the developmental concept of Islamic banks means developing society from an economic standpoint according to the axes, including achieving optimal use of economic resources and not wasting them, increasing production capacity and making good use of what is available, and strengthening the economic structural structure and comprehensive industrialization. As well as developing the economic sectors in a balanced manner, reducing unemployment, and paying attention to the human element.

The second axis: The importance of Islamic banks and their role in investment.

First: Islamic banks.

Second: Investment.

Third: The importance of Islamic banks and their role in investment

First: The Islamic Bank:

Definition of an Islamic bank: Any licensed institution that provides banking services on a non-usurious basis and engages in opening current accounts and accepting investment deposits for use within the framework of liquidity support systems in addition to the bank's financial resources in financing commercial projects in accordance with Islamic principles, (Study of the Committee of Experts on Islamic Banks, (1980). 160)

Elements of Islamic banking

- 1 -Commitment to the provisions of Islamic Sharia in terms of not dealing with usury and other legal prohibitions. It does not use interest rates in any of its operations, whether lending or borrowing, based on the Qur'anic verse (And God has permitted trade and forbidden usury) (Surat Al-Baqarah 275). Adherence to the rule of what is permissible and what is forbidden.
- 2 -Good selection of those in charge of business management to ensure honesty and transparency in implementing the provisions of Sharia in banking transactions.
- 3 -Saving awareness, not withholding money, and investing in economically feasible projects.
- 4 -Its goal is to rid transactions of usury, leprosy, gambling, ignorance, and other transactions forbidden by law, and to exclude dealing with interest (Hussein, 2006)

The importance of Islamic banks

- 1 -The importance of Islamic banks has created a distinct Islamic character and independent features in the economic aspect based on the foundations of the provisions of Islamic Sharia.
- 2 -Islamic banks have purified all transactions from the scourge of usury.
- 3 -It eliminated the monopoly created by joint-stock companies.
- 4 -Increased economic activity will increase because it prevents usury.
- 5 -The rules of justice and equality are imposed in the spoils and losses, and the interests and benefits are spread to the largest possible number of citizens (Ben Slimane, 2013: 14-15).

Objectives of Islamic banks

Islamic banks aim to obtain permissible profits, and as a means to advance the economic reality of the Islamic nation, develop funds, prevent them from hoarding them, and meet the current and future needs of society. They also have a major role in economic development in a way that serves the common good. Society proceeds according to an Islamic perspective, as well as reviving the Islamic approach in financial and banking transactions and achieving Social solidarity while adhering to the principles of Islamic Sharia with regard to prohibiting usury and preventing exploitation. (Nassar, 2010: 18)

Islamic banks are a financial and banking institution that carries out banking activities in accordance with the provisions of Sharia

Factors that helped establish Islamic banks

The idea of establishing Islamic banks and financial institutions is a recent idea since the mid-sixties of the last century and was generated by many factors such as political, social and economic factors. The most important of these factors are:

- 1The idea of establishing these banks has crystallized, matured and been understood at all levels.
- 2This idea was presented and studied in religious and political conferences of the Islamic world.
- 3Serious attempts by all researchers to find alternatives to usurious banking institutions.
- 4The comprehensive Islamic awakening that the Islamic world witnessed, (Abdul Razzaq, 1998: 187).

Characteristics of Islamic banks

1-The Islamic bank is considered one of the Islamic financial institutions, as it is part of the Islamic financial and economic system.

2- It is subject to the provisions of Islamic Sharia and its principles derived from its original sources.

3- Its goal is to rid transactions of usury, greed, gambling, ignorance, and other transactions forbidden by Islamic law, and to avoid dealing with interest. (Al-Zujaili 1997:)

Second: Investment

The concept of investment: It is the process of forming new capital, which is represented by increasing production demands, and thus it is a net increase in the real capital of society. Investment consists of the following elements:

Assets such as lands, buildings, machines, machines, means of transportation, equipment---etc. (Al-Hasnawi, 2014: 262)

Definition of investment in terms of risk

Giving away money that an individual owns at a specific moment in time and for a period of time with the intention of obtaining future financial flows that compensate for the current value of the invested money, as well as the expected decrease in its purchasing value due to the inflation factor, while providing a reasonable return in exchange for bearing the element of risk represented by the possibility that these flows will not be realized. (Matar, 2006: 20).

Types of investment:

Investment can be divided qualitatively or naturally into two parts:

First: real investment

Second: Financial investment

Real investment:

A group of investments that represent the creation of productive fixed assets in order to achieve profit, or the purchase and ownership of fixed assets, such as investment in lands, factories, production companies, and projects of central structures. This type of investment leads to a real increase in the gross domestic product and an increase in fixed capital, and it has a relationship to the nature of And the environment in which it exists through its tangible entity, that is, it has real value and is characterized by a low degree of risk, but its degree of liquidity is low and it bears the expenses of insurance, transportation, storage, and maintenance (Al Shabib, 2008: 44).

Financial investment

E: Y refers to the investor's possession of financial assets that are not real and have the status of permanence, meaning investing in securities (such as stocks and bonds) that are financial rights whose holder has the right to claim his share in the real asset and also has the right to obtain a return from these assets legally, (Ahmed, 2015: 23).

Investment success factors

There are a number of factors that make the investment successful

1- Availability of a high degree of investment awareness.

2-Availability of a suitable legal, social and political climate for investment.

3- The existence of an efficient and effective financial market that provides the appropriate place and time to combine the desire of savers to invest their money and the desire of lenders to obtain these hopes (Matar, 2006: 21).

Factors affecting investment:

There are a number of factors that work to maintain and increase the value of the invested money, including:

1- Political stability: The stability of the political system leads to the stability of laws and regulations that affect investment, which encourages the expansion, diversification and stability of investments.

2- Economic stability: Economic stability is measured by the degree of economic risks to which the investment is exposed, and the risks are posed by the inflation rates of fiscal and monetary policy, the strength of the financial markets and the volume of investments.

3- Interest rate rate: The interest rate on currency rates affects the value of securities traded in the financial market. The higher the interest rate, the lower the investment spending.

4- National income: The larger the amount of income, this leads to higher savings, and this leads to the creation of investments with broad production capacity.

5- Inflation rates: Inflation negatively affects investment, because it creates an atmosphere of instability and thus leads to the investor not knowing the state of the country's economy.

6- Availability of basic structures and economic openness: The availability of investment infrastructure in general, especially productive ones, is considered one of the most important elements that affect investment. (Al-Barzanji, 2014: 49).

Investment objectives

Whatever the type of investment and the risks surrounding it, the investor always seeks to achieve the following goals

1- Achieving the appropriate return: The investor's goal in localizing his money is to achieve an adequate and suitable return that will work to ensure the continuity of the project, because the failure of the investment financially will push its owner to stop financing, and perhaps liquidate the project in search of a more profitable field.

2- Preserving the project's original capital: through differentiation between projects and focusing on the least risks, because anyone expects loss and profit.

3- Continuity of income and its increases: The investor aims to achieve stable and continuous income away from speculation and decline in light of risk in order to preserve the continuity of investment activity.

4- Ensuring the necessary liquidity: Investment activity needs financing and liquidity to meet work obligations (Suleiman, 2019: 39).

Third: The importance of Islamic banks and their role in investment

Islamic banks are considered one of the most important institutions for implementing the practical framework for investment in the Islamic economy. The importance of Islamic banks for investment is based on two basic pillars. The first is financial intermediation between savers and investors, and the second is legal, based on Sharia controls. Islamic banks function as a financial intermediary between savers and users of financial resources. From investors and producers to suit the process of economic and social development, and in order for the Islamic bank to achieve optimal use of its resources, investment methods are divided into types:

1-Direct investment: In this case, the bank is a speculator and trader in goods and services in the projects that it establishes and manages. Such investment is specific to reduce the burdens that fall on the bank, in addition to expanding the scope of investors and beneficiaries of the bank's funds, as well as increasing and acquiring goods despite Although there are burdens on the bank in direct investment, it helps in providing all types of financing (Al-Iqtisad Magazine, 2004: 15)

2- Participatory investment: Islamic banks offer their customers new alternatives to interest-bearing lending. These alternatives reflect the basic feature of investment features in Islamic banks, which are compatible with the philosophy of the economic system. The forms of participatory investment are divided into:

A - Permanent participation: The bank used to involve one or more people in one of the projects if the bank provided financial financing for the project and the customer managed the project and the profit return was divided between them according to the agreed upon ratios.

B- Musharaka ending with ownership: This means that the bank participates in the capital of a specific project together with a promise from the bank to sell its shares to its partners, as ownership of the project ends with the customers after a period of time, in addition to other methods such as speculation, sale of peace, and leasing ending with ownership, in addition to other activities that are achieved. A social return, such as a good loan, is the payment of zakat to its recipient (Al-Gharib, 2000: 278).

The third axis: statistical analysis:

statistical analysis

General statistics

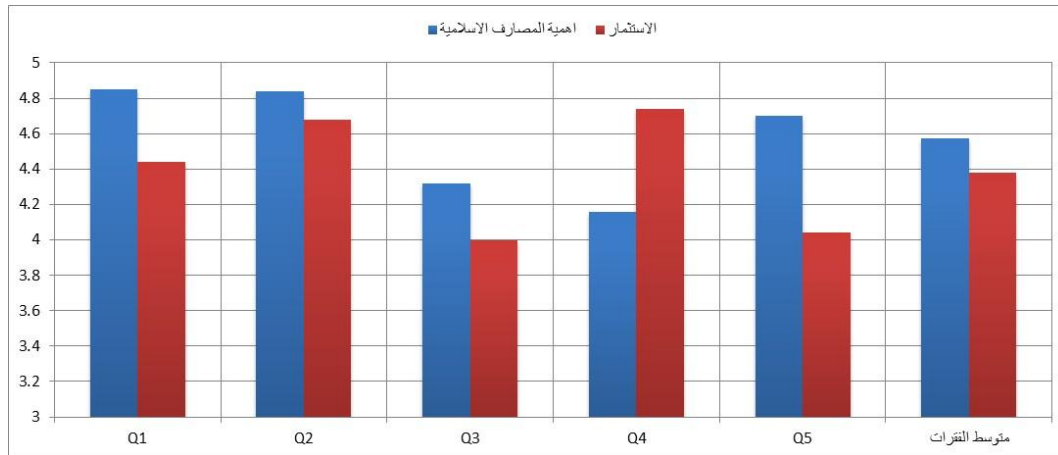
The table below represents some general statistics that were created for each paragraph of the questionnaire, represented by the highest and lowest value, the arithmetic mean, and the standard deviation:

table number()
General statistics of variables

Descriptive Statistics					
Std. Deviation	Mean	Maximum	Minimum	N	
.431	4.85	5	2	250	Q11
.388	4.84	5	2	250	Q12
.511	4.32	5	3	250	Q13
.507	4.16	5	2	250	Q14
.459	4.70	5	4	250	Q15
.31306	4.5720	5.00	3.60	250	The importance of Islamic banks
.573	4.44	5	2	250	Q21
.533	4.68	5	2	250	Q22
.384	4.00	5	3	250	Q23

.485	4.74	5	2	250	Q24
.290	4.04	5	3	250	Q25
.32985	4.3792	5.00	3.00	250	Investment

Regarding the paragraphs of the first variable, the first paragraph ranked first in terms of the value of the arithmetic mean, which was the highest in this paragraph. The fourth paragraph ranked last in terms of the value of the arithmetic mean, as is clear from the values of the table above. Regarding the paragraphs of the second variable, the second paragraph ranked first in terms of the value of the arithmetic mean, which was the highest in this paragraph. The third paragraph ranked last in terms of the value of the arithmetic mean. The following graph has been drawn, which shows the arithmetic means of the two variables:



() Number format

Arithmetic means of the two variables

The connection and its significance

:The null hypothesis for testing the correlation between the research variables was formulated as follows

H0: There is no correlation between the importance of Islamic banks and investment.

Against the alternative hypothesis

H1: There is a correlation between the importance of Islamic banks and investment.

The correlation value obtained by the researcher through the use of the SPSS program, in addition to its significance, is placed in the following table:

table number()

Correlation between variables

Correlations			
Investment	The importance of Islamic banks		
.718**	1	Pearson Correlation	The importance of Islamic banks
.000		Sig. (2-tailed)	
250	250	N	
1	.718**	Pearson Correlation	Investment
	.000	Sig. (2-tailed)	
250	250	N	

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

The results in the previous table indicate the rejection of the null hypothesis and the acceptance of the alternative hypothesis. In other words, the value of the correlation between the two variables, the importance of Islamic banks and investment, was positive and morally significant, and therefore, an increase in the importance of Islamic banks leads to an increase in investment.

Explaining the impact of the importance of Islamic banks in investment

The researcher created the following tables using the program SPSS vr.20 for the purpose of demonstrating the impact of the importance of Islamic banks in investment. We note that the value of the coefficient of determination is 0.52 and the corrected coefficient of determination is 0.51, which indicates that the regression model explained 52% of the total differences:

table number()
Coefficient of determination and corrected coefficient of determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.718 ^a	.515	.513	.23015

a. Predictors: (Constant), The importance of Islamic banks

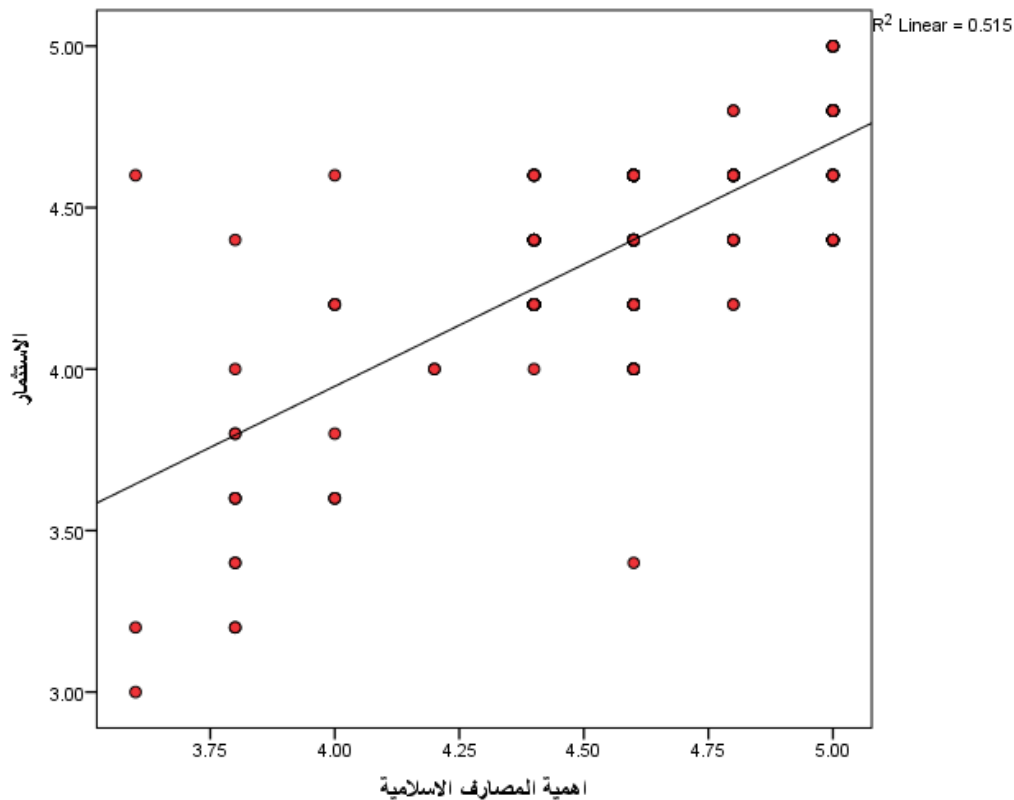
In addition, the researcher found the coefficients of the regression model used and the t-test values and their significance for the impact of the importance of Islamic banks in investment, and the results were placed in the following table:

table number()
Values of regression model coefficients and t-test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.922	.214		4.318	.000
	The importance of Islamic banks	.756	.047	.718	16.231	.000

a. Dependent Variable: Investment

The value of the regression model constant was 0.922, and the value of its t-test was 4.318. This value is significant below the 5% level, since the value of sig.=0.000 is less than the 5% level of significance. The value of the regression parameter was equal to 0.756, and the value of its t-test was 16.231. This value is significant below the 5% level, since the value of sig.=0.000 is less than the 5% level of significance. From the above, we conclude that an increase in the importance of Islamic banks by one unit leads to an increase in investment by 0.756. The following graph represents the spread of the values of the importance of Islamic banks versus the values of investment, which clearly indicates the direct relationship between the two variables:



Number format ()

The spread of values of the importance of Islamic banks in exchange for investment

Fourth axis: conclusions and recommendations

First: Conclusions:

- 1- The correlation between the two variables, the importance of Islamic banks and investment, was positive and morally significant. Therefore, the rise in the importance of Islamic banks leads to a rise in investment.
- 2- Any increase or decrease in the importance of Islamic banks leads to an increase or decrease in investment because there is a direct relationship between them.
- 3- Islamic banks are financial and banking institutions that provide banking and investment services according to the method of financial intermediation based on sharing profits and losses, excluding dealing with advance interest, give and take. They collect savings and capital and direct them towards areas that serve economic and social development.
- 4- Developing the work of Islamic banks in Iraq as a result of increasing their numbers within the banking sector.
- 5- Increasing the volume of Islamic banks' activity in the banking sector.

Second: Recommendations:

- 1- The necessity of a significant correlation and a direct relationship between the two variables: the importance of Islamic banks and investment.
- 2- The importance of Islamic banks must be increased to increase investment because there is a direct relationship between them.
- 3- The necessity of raising the banking capabilities and capabilities in Iraqi Islamic banks at all administrative and operational levels to advance the reality of financial and banking services.
- 4- The need for Islamic banks to maintain and strengthen their position and increase the efficiency of their operation in order to achieve more growth and profits as the demand for their name increases.
- 5- Disseminating the concept of Islamic banking culture and developing the work of Islamic banks by diversifying Islamic financing formulas and not adopting specific formulas and increasing their developmental, economic and social role in the country.

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