The Impact of Unsystematic Risks on Islamic Bank Stock Returns in Jordan

Dr. Qasim Mousa Abu Eid[1], Dr. Munir S. Al-Hakim[2], Dr. Ahmad Ibrahim Karajeh[3], Dr. Mohamad Abd-Alkarim Almomani[4]

Abstract

The main objective of this paper is to analyze and demonstrate the impact of unsystematic risks on the returns of Islamic banks in Jordan during the period between 2016-2021, where the researchers adapted the descriptive analytical approach through studying and analyzing the information contained in the financial reports issued by Islamic banks, in line with reviewing the studies and research related to the study. Through the study, it was concluded that there are statistical differences between Jordanian Islamic banks in the level of financing risk, the level of liquidity risk, and the level of their returns. On the other hand, the level of operational risk between Islamic banks were the same based on the statistical analysis. In conclusion, the study recommended the need for Islamic banks to pay attention to the human element, use advanced technology, and develop financing tools that keep pace with the times and are compatible with the provisions of Islamic Sharia.

Keywords: *Unsystematic Risks, Islamic Bank, Stock Returns.*

Introduction

Islamic banks face a set of risks like conventional banks and considered to be unique if compared to the risks recognized by other conventional banks, this is occurred because the processes and methodologies they are following is also unique, these risks could be systemic and unsystematic risks. As well known, the methodology of work in Islamic banks should be based on investment in different areas that adopt the principle of participation in profit and loss, within the rules of Islam in participation and sharing of spoils and fines within the jurisprudential rule (fines with sheep) (Haidar,2003) Hence, the responsibility of Islamic banks does not end once the financing is granted, but continues because it is built as partnership for the investor, so direct and continuous follow up must take place in order to verify the progress of the investment project, and Islamic banks are supposed to look for investment opportunities with economic feasibility that achieve profit for them and the investor, and bear the results of investment projects from profit and loss being a partner and not a creditor, as is the case in conventional banks that provide financing on the basis that it is a loan waiting to be repaid with the prescribed interest. on it during the loan period (Karajeh, 2023). Islamic banks are considered financial institutions whose activities are mainly focused on accepting deposits of all kinds, providing financing to investors, in addition to providing other services to their customers

[1] Ajloun National University
[2] Petra University - Banking and Finance Department
[3] Ajloun National University
[4] Ajloun National University

to facilitate their business and activities, while adhering to the application of the provisions of Islamic Sharia in all these transactions (Eid et al., 2023).

Therefore, these banks are exposed to both systemic and unsystematic risks, as they may be exposed to the risks of customer default, non-payment or operational risks represented in their internal operations resulting from poor efficiency of employees or other similar type of risks. This study came to illustrate the impact of unsystematic risks on the returns of Islamic banks in Jordan.

Study problem

Investors usually rely in their investment decisions on evaluating the returns of the shares they wish to invest in; hence it is possible for unsystematic risks to affect the returns of shares of Islamic banks directly or indirectly, and if there is an impact of these risks, this affects the decisions of investors, hence the problem of this study by answering the following main question:

What is the impact of non-regulatory risks (financing risk, liquidity risk, and operational risk) on the returns of shares of Islamic banks in Jordan?

It includes the following sub-questions:

First: What is the impact of financing risk on the returns of Islamic banks in Jordan?

Second: What is the impact of liquidity risk on the returns of Islamic banks in Jordan during the period?

Third: What is the impact of operational risks on the returns of shares of Islamic banks in Jordan during the period?

Objectives of the study.

This study aims to show the impact of unsystematic risks in their combined dimensions (financing risks, liquidity risks, and operational risks) on the returns of Islamic banks in Jordan during the period (2016-2021). This is in addition to indicating the impact of each dimension of systemic risk.

The importance of the study.

The importance of the study is represented in the limited studies considered the impact of unsystematic risks on the returns of shares of Islamic banks. In other words, the study will be important in providing a theoretical framework for researchers and scholars in the field of Islamic banks. Also, workers in Islamic banks in Jordan can benefit from the results and recommendations obtained through this study in their decisions considering the unsystematic risks.

Study Methodology:

In this study, the researchers adopted the descriptive analytical approach to study and analyze the data contained in the reports and bulletins issued by Jordanian Islamic banks during the period (2016-2021) to answer the questions of the study problem.

Previous studies:

Mahboub and Sanussi (2020) study entitled: Measuring Operational Risks in Commercial Banks: A Comparative Study between Conventional and Islamic Banks Using Z-score Index Technique to Measure Financial Stability by Application to Al Salam Bank Algeria for the period 2016-2017 (Mahboub,2020).

The study aimed to evaluate and measure operational risk management in commercial banks and used the descriptive analytical approach based on Z-SCORE indexes, as it resulted the essential needs for Islamic banks in more understanding of the sources of risk their applications. It concluded that this indicator is the most appropriate solution to

reduce operational risks and the need to amend it to be more suitable for Islamic financial and banking work.

Mahboub and Sanussi's study (2019) entitled: Operational Risk Management in Islamic Banks Al Salam Bank as a Model. (Mahboub,2019).

The study aimed to evaluate the operational risk management in Islamic banks during the period (2015-2017) and used the descriptive analytical approach and resulted in Islamic banks facing two types of risks, in addition to the operational risks they face the conventional banks as well they also face risks that are unique to them as they comply, with the requirements of Islamic Sharia. It recommended the need to focus on procedures, policies and instructions related to risks and to spread the culture of risk management among its employees Al-Halabi, (2019): The Effect of Idiosyncratic Risk and Stock Liquidity on Stock Returns: Evidence from the UK (Al-Halabi, 2019)

The study aimed to measure the impact of unsystematic risk and stock liquidity on stock returns using a sample of 350 British companies listed in the FTSE-350 index during the period (2009-2018). The researchers used the descriptive analytical approach to decompose the return on typical stocks used in Campbell et al. (2001) to build the measurement of unsystematic risk, and method andes of liquidity: the (Amivest) scale of liquidity and the (Amihud) scale of liquidity by using the fixed effect method, and resulted in the fact that unsystematic risks have a positive and statistically significant effect, in addition to a statistically significant negative effect of the liquidity ratio (Amivest) on earnings per share. Control variables, including profitability and dividend policy, are statistically significant in illustrating stock returns.

The First Topic: Unsystematic Risk concept and Types

The Concept of Risks:

Risks have been defined by many definitions issued by international and regional organizations, where the Banking Regulation Committee of the US Banking Sector Authority SR defined risk as "the possibility of direct or indirect losses in banking, where direct losses are represented in losses of business results or capital losses, while indirect losses are represented in restrictions that would weaken the bank's ability to continue to provide its business and carry out its activities and limit its efficiency and skill to benefit As many opportunities as possible. in the banking environment and therefore prevent the bank from achieving its goals and objectives (Abu Munis, 2016), The American Institute of Internal Auditors also defined risk as: the state of uncertainty in its operations that affects the bank's ability to achieve its objectives, that is, it is a state of uncertainty about events or results that have a material impact on the bank's objectives (American Institute of Internal Auditors, 2004)

Types of risks:

The risks facing banks, whether conventional or Islamic, are divided into two types as follows:

Financial risk: It consists of three sections: market risk, liquidity risk, and credit risk. Market risk occurs because of shifts in prices, or a change in policies at the macro level. These include interest rate risk, exchange rate risk, and pricing risk. Credit risk arises because of the customer's inability or unwillingness to fulfill his obligations to the bank, while liquidity risk arises because of the bank's inability to meet its customers' liquidity needs. Short-term (Al Houl et al., 2023).

Non-financial risks: Sometimes called business risks, they occur because of the business of banks, such as operational risk, legal risk, political risk, and non-compliance risks. However, risks may be divided from another perspective into two types: The first type: is systemic risks, and the second type: is the unsystematic risks that is being considered in this study, and they are shown as follows:

First: Systemic risk: this type is called by many names such as market risk, non-diversifiable risk, and unavoidable risk.

Second, Unsystematic risks: Those risks that concern a specific industry or a specific institution individually, and their causes are due to technological progress, competition, or management patterns, such as management risks, industry risks and business cycle risks (Abu Rahma, 2009). However, it is a set of internal risks related to the bank itself, as it includes poor management procedures and poor investment policies, and the bank can avoid them by setting controls, procedures and administrative policies that regulate the work well, in addition to choosing Managers with high scientific and practical qualifications. It defined as uncertainty that arises because of special circumstances relating to a particular company or sector, and these factors are independent of the risks associated with economic activity, and can be called exceptional risks, non-market risks or risks that a company can take by diversification (Shuqairi Nouri, 2001).

The researchers believe that unsystematic risks are part of the overall risks that arise due to special circumstances or specific factors related to a particular company or sector and are independent and not related to the risks of the economy at the state level or the environmental conditions in which the bank operates.

Islamic banks can mitigate these risks by taking special measures and policies. In the meanwhile, diversifying their investments is another measure that could support these investments and are not affected by sporadic risks.

The unsystematic risks faced by banks are categorized into a group of risks such as credit risk, liquidity risk, interest rate risk, market risk, operational risk, risk related to technological factors, foreign exchange rate risk and bankruptcy risk.

Operational risk: The Basel Committee defined operational risk as the risk of loss resulting from inadequacy or failure of internal processes, personnel and systems, and loss due to external events that damage assets because of natural disasters or other events (Basel Encyclopedia (II), 2005).

Credit risk: It is the inability to pay by the party dealing with the bank in exchange for the facilities provided to it, and this type of risk arises because of granting loans and facilities to these customers in order to support their financial obligations, and the results of credit risks appear here due to the possibility of the customer's inability to fulfill his contractual obligations on time or on the subsequent date in the event of a settlement between the loan taker and the bank (Karasneh, 2006). Banks can mitigate these risks through the guarantees they require from customers. or guarantees.

They are classified into three types: non-payment risk (the customer's inability to pay his obligations to the bank at maturity and in accordance with the agreed terms), repayment risk (risk arising from settlements related to cash flows and other assets), and country risk (risk that results in the possibility of the bank suffering loss because of dealing with countries that experience economic, political or social instability or currency instability).

Political risks: These risks arise because of the State enacting laws and legislation with the aim of carrying out economic reforms such as imposing new taxes or fees, introducing monetary or foreign exchange rate policies, or interfering with the confiscation of certain assets (Mohamed, 2001).

Risks of non-compliance: These risks arise because of the bank ignoring the instructions of the Central Bank, or non-compliance with international standards such as non-compliance or compliance with the principles of Islamic Sharia, and a wrong estimate may occur by the bank as it commits certain violations, which prompts the Central Bank to issue penalties towards the bank that negatively affect it and its reputation, and here the bank may lose part of its customers because of this transgression with the penalty, and

this may force depositors to withdraw their deposits as a violating bank (Hammoud, 2017).

Legal risks: This type of risk occurs when the bank loses an asset because of the absence of a correct legal opinion, or because of insufficient documents confirming the ownership of the asset, and here comes at the forefront of these risks the laws issued by central banks related to liquidity, legal reserve, expansion, and geographical spread of the bank. These risks may also arise due to non-compliance with contracts and their terms or compliance with legislation issued by banking institutions.

Liquidity risk: It is the inability of the bank to meet its obligations to customers on time, measured by the cost of borrowing on strict terms, the imposition of a high interest rate by financiers, and the possibility of the bank facing the risk of bankruptcy, and this type of risk refers to the relationship between the bank's liquidity requirements to meet withdrawals from deposits and increase loans compared to actual or potential sources of liquidity, whether in terms of selling or liquidating an asset owned by the bank or obtaining funds from others (Al-Shammari, 2020).

Capital risk: This type of risk means the possibility of loss resulting from a decrease in the market value of assets compared to liabilities, or vice versa in the sense that the market value of liabilities rises more than the market value of assets and according to the general rule of accounting balance, total assets are equal to the sum of both capital and liabilities, so the value of equity is equal to total assets minus liabilities. According to this rule, capital risk arises from two sources, the first is the increase in liabilities at a rate greater than the rate of increase in ownership, and the second is the achievement of annual losses carried forward from year to year (Jamaan, 2017).

Sources of Unsystematic (private) risks:

The division of risks into systematic risks and unsystematic risks is due to the extent to which the banking institution is related or able to control risks, and thus the sources of unsystematic risks can be identified in the following two types:

Management risks:

The management of any bank can be the cause of the discrepancy in the returns of the bank's shares because of the decisions that may be taken erroneously or contrary to the instructions issued by the Central Bank, which left an impact of these decisions on the returns of shares.

Examples of these risks are weak banking management, administrative errors, labor strikes, and changing customer tastes because of the emergence of new products, and this type of exceptional and non-market risk would affect the customer's ability and desire to repay his obligations to the lender bank within the agreed term.

Industrial banking risks: The entire banking system or parts of it can be exposed to risks that affect its stock returns compared to other sectors. These risks are called industry risks.

Second topic: Risks related to the nature of the work of Islamic banks.

Islamic banks differ in their work from conventional banks, which entails risks of their own based on the nature of their work, and the following is a summary of these risks. These risks arise because of Islamic banks financing customers and investors through the Islamic formulas they use, which are as follows:

Murabaha financing risks: The method of Murabaha financing and Murabaha for the person ordering the purchase is a major activity for investment in Islamic banks, as it acquires the largest percentage of their investments. The Murabaha financing risks appear through the purchase order's promise in the event of refusal to accept the commodity

because the promise is not mandatory, or the delay in the payment of what a person owes towards the bank (Sharabin, 2021).

Salam Financing Risks: The Salam financing formula is exposed to some risks including the customer's failure to deliver the commodity on time, the agreed quantity, or the specifications contained in the Salam contract, or the return from the Salam is not covered against the cost, or the risks may appear because of keeping the commodity when delivered before the agreed specified time, as it may be exposed to damage or price fluctuations, and here the bank bears the risks of cost, storage, insurance and damage. In addition, there are risks resulting from natural disasters or Environmental that may result in the customer's inability to deliver the commodity with the same specifications or quality (Zawi, 2019).

Istisna'a Financing Risk: This type of risk appears due to the price fluctuations that may occur after signing the contract or the delay of the producer (manufacturer) in delivering the goods if the bank is a manufacturer, or damage to the goods under the bank's hands if the Istisna'a is parallel. There are also risks that arise because of the customer's inability to pay on the agreed date

Mudaraba financing risks: Although Islamic banks deal with speculation on a limited basis, this type of financing is accepted by jurists by jurists. As for the risks arising from its financing, it is represented in the lack of clarity of tax treatment, accounting systems, auditing, and supervisory frameworks, and this makes Islamic banks refrain from financing in the form of Mudaraba unless there is an element of trust between them and the worker (Mudarib). Risks may arise because of the project's exposure to business risks represented by price fluctuations, or a change in Consumer tastes, or because of damage to the goods.

Ijara Financing Risks Ending with Ownership: Risks in Ijara Contract Ending with Ownership appear when the bank, based on the customer's desire, buys an asset, and then leases the asset to a specific customer in exchange for payments that the customer is obligated to pay, and the risks here lie in the event that the customer fails to pay these payments either because of his inability or insolvency or unwillingness. Here, operational risks can affect the lease contract ending with ownership, as they appear if partial or full damage occurs to the leased property. Without infringement or default on the part of the lessee and therefore the bank bear the consequences of loss alone.

Risks of Musharakah financing: Musharakah financing is a unique feature of Islamic banking compared to conventional banking, but it is noticeable that Islamic banks deal with this type of financing within narrow limits for fear of exposure to the risks that may result from this type of financing, participation adds a new burden on the bank in terms of supervision and follow-up of the financing project, and the bank may not be able to play this role and waive it to the partner. This type of financing is affected by the risks of the business environment represented by market competition, changing consumer tastes, changing price levels, and damage to goods in storage, and this type of financing is exposed to credit risk in relation (Mokhtari, 2009) to the customer's payments for the purchase of the bank's share, in addition to the risk related to the bank's share in the original subject of the partnership.

There are also risks related to the partner in terms of breach of contract, failure to comply with the conditions of participation, mismanagement of the project, infringement, or failure to carry out requirements. The project is properly implemented. A partner does not guarantee if he infringes or fails to manage the project, and a guarantee or mortgage may be taken from this partner, but it is not permissible to take the guarantee against commercial profit or loss.

The third topic: shares: their concept, characteristics, and factors affecting them.

The goal of maximizing profits is one of the basic goals that banks seek to achieve, as it increases the value of their wealth and the wealth of shareholders, achieving profit is a goal that helps them grow, survive and continue and supports their financial position, as well as enhances their financial solvency and liquidity, which makes them able to face the risks and obligations that stand in their way, unlike losses that lead to a decline in the financial position of banks, eat the wealth and rights of owners, and expose them to financial failure and default, which leads to liquidation and bankruptcy (Al-Maaytah, 2018).

The concept of shares and their characteristics: Hardan (Hardan, 2017) defines a share as a negotiable instrument issued by a joint stock enterprise that represents its share in the capital of the enterprise." It is also defined as an instrument or document that gives the shareholder proof of his right, as it refers to the part or share that the shareholder owns in the capital of the enterprise. The stock (Alqudah, 2019) is characterized by a set of characteristics mentioned by the Jordanian Companies Law, represented in its negotiability, equal to the nominal value of the shares (i.e., each share is equal to the other), and the non-viability of the share. This is what the Jordanian legislator stipulated in Article (91) of the Companies Law, where he stressed that the financial responsibility of the public shareholding establishment is independent of the financial responsibility of each shareholder, and that the shareholder is not responsible for the debts and obligations of the enterprise except within the limits of the shares he owns in the enterprise.

The concept of earnings per share: Definition of return per share as any amount or percentage of profits achieved from the investment or reward that each investor is waiting for, which expresses the ability of assets to achieve income expressed as a percentage of return, and this ratio reveals the bank's profitability in all its operational and non-operating operations, or the expected profit or loss on investment during a certain period of time (Kumars, 2011). The return is the return that the investor aspires to obtain in the future in return for investing his money. The investor is always looking forward to this return to develop his wealth and maximize his property (Shuqairi Nouri, 2001). The return indicates the extent to which the investor returns from that stock because of buying and holding it for a period and then selling it, and the return fluctuates from one moment to another because of the fluctuation in the market share price (closing price and opening price) It is worth noting that dividends may come from different ways such as cash dividends that are distributed to ordinary shareholders, bonus shares distributed to ordinary shareholders, and capital gains that result from the rise in the share price in the financial market.

Factors affecting stock returns:

Factors affecting inventory yields can be classified into two main categories (Ibrahim, 2009) First: Internal factors: They have been called "internal factors" because they are specific to the internal environment of the bank, where they affect and are affected by it, such as capital and the number of employees, the following is an explanation of each of them (Rani, 2015) such as:

Capital: It is the main engine of any project, it leads to increased productivity, and it also has a clear impact on stock returns, and its impact appears in financial analysis, the greater the size of capital, the greater the returns on shares.

Number of employees: Employees in any institution are variable assets, they affect the volume of work and productivity, and this is reflected in the return on investment and the bank's position among other banks, the number of employees in the bank somewhat on the amount of production, and affects its strength and financial situation compared to other banks as it affects the demand of investors to buy its shares, and ultimately affects the returns of its shares.

Second: External factors: They are factors that have a significant impact on the bank's business and have no control or reason for their occurrence (Suresh,2006) and there are many examples such as the interest rate: where it is the main engine for employing capital and transferring it between stocks and bonds in conventional banks, and it is also considered an alternative opportunity for the investor, so that if the interest rate is high, the investor will have the desire to do so, so he puts his money in the bank and generally gets the interest rate specified for him, or if the investment with these funds It will return to him with a return greater than the interest rate, he prefers to invest and at the same time the increase in the interest rate will lead to a decrease in borrowings, and then lead to a decrease in the liquidity ratio, and therefore a decrease in the rate of inflation, and in the event of a decrease in the interest rate, investors tend to borrow, in order to increase capital and get a greater return than the interest rate.

Inflation: It is an unregulated rise in prices, in which there is a continuous increase in the general level of prices or a continuous decrease in the value of money.

Balance of payments: It is defined as the record in which commercial and financial transactions between the state and the outside world are monitored for a specific period. The balance of payments is divided into three sections, such as the current account, the unilateral transfer account, and the capital account.

General budget: defined as the data that shows the public expenditures of the state and public revenues to finance those expenditures, which expresses the principle of numerical balance between public revenues and public expenditures for a specific period approximately one year (Suresh,2006).

GDP: It is one of the ways to measure the size of the economy according to the value of goods and services produced from materials locally located in a certain area during a certain period of time, and the size of GDP negatively and positively affects GDP, the increase in the volume of GDP leads to a rise in GDP, which increases job opportunities, increases production and increases consumption (Suresh,2006)

Fourth Theme: Method and Procedures

The population and sample of the study consists of Jordanian Islamic banks (Jordan Islamic Bank, Safwa Islamic Bank, and International Islamic Arab Bank). The researchers adopted the descriptive approach to reach the objectives and results of the study and the variables of the study were measured Dependent variable (stock returns) Earnings per share calculation = (bank net profit) / (issued regular shares number). The independent variable (unsystematic risk) was measured by funding risk = (total financing)/assets. Liquidity risk = deposits/assets. Operational risk = (total assets)/ (number of workers). Capital risk = (ownership rights)/liabilities.

The researchers used statistical tools and E-Views software to process the study data, and statistical measures and tests represented in arithmetic averages and standard deviations were used to describe the study variables. and the linear correlation coefficient for testing the phenomenon of multiple correlation (Multicollinearity). and the Durban-Watson test (D-W) to test the phenomenon of autocorrelation (Serial Correlation). Estimating the study model using two tests (Lagrange Multiplier) and Hausman. Simple and multiple linear regression analysis to test the extent to which there is an effect of independent variables on the dependent variable.

First: Independent variables (unsystematic risks)

Unsystematic risks included financing risk, liquidity risk, operational risk, and capital risk, and the statistical description of these variables was presented as follows:

Financing Risks:

Table 1

Descriptive Statistics of Financing Risks for the Period (2016-2021)

Financing Risk	Scale
%0.90	Arithmetic mean
%0.84	Standard deviation
%2.09	Highest value
%0.03	Minimum value

It was found from Table (1) that the average financing risk of Jordanian Islamic banks during the study period reached (0.90%) with a standard deviation of (0.84%), and the largest value was recorded (2.09%) while the lowest value was recorded (0.03%), where the above values indicate that there is a convergence between Jordanian Islamic banks with regard to financing risks, and this may be due to the similarity of guarantees and procedures followed in Jordanian Islamic banks in granting financing to customers, as here appears the role of the Central Bank in unifying The procedures in force in banks and directing them to the need to inquire about credit through CRIF Jordan Company before granting financing continuously.

 Liquidity Risk:

Table 2

Descriptive Liquidity Risk Statistics for the Period (2016-2021)

Liquidity risk	Scale
86.16	Arithmetic mean
2.11	Standard deviation
88.93	Highest value
80.80	Minimum value

Table (2) shows that the average liquidity risk of Jordanian Islamic banks amounted to (86.16) with a standard deviation of (2.11), which indicates a discrepancy in the liquidity risk values of Islamic banks during the study period, and the largest value recorded was (88.93) while the lowest value was (80.80), based on the study (Ndoka, 2012) showing a difference in the administrative policies followed in Jordanian Islamic banks. Knowing that Jordanian Islamic banks suffer from excess liquidity the retention of cash or semi-cash money is due to the problem of the lender of last resort, which is available to Islamic banks in case they need financing from the central bank or others because of interest (usury), which is forbidden by Sharia.

Operational Risks:

Table 3

Descriptive Operational Risk Statistics for the Period (2016-2021)

Operational risk (natural logarithm)	Size
6.10	Arithmetic mean
1.00	Standard deviation
6.55	Highest value
2.09	Minimum value

Table (3) shows that the average operating risk of Islamic banks reached (6.10) with a standard deviation of (1.00), and the largest value recorded was (6.55) while the lowest value was (2.09), the reason for this result may be that there is stability in the Jordanian banking market, in addition to the strength of the banking system, according to the reports of the Central Bank of Jordan. The strength of Islamic banks comes from the continuous training of employees to do the work to the fullest, and through the introduction of technology in banking to reduce the mistakes of the human element, in addition to the limited embezzlement and financial fraud in Jordanian Islamic banks. This indicates that Jordan Islamic Bank has won international awards for consecutive years according to international rankings. As for the indicators, it is noticeable that Jordanian Islamic banks enjoy high strength as they have high levels of capital, which is one of the highest ratios in the Arab region. The average capital adequacy ratio was about 9.16% at the end of 2018 and about 17% at the end of the first half of 2019, which is higher than the rate set by the Central Bank of Jordan of 12% of the rate set by the Basel Committee of 5.10% according to Basel 3 decisions. Central Bank of Jordan (Journal of the Union of Arab Banks, 2020).

Second: Dependent Variable (Returns on Islamic Banks' Shares)

Table 4

Descriptive Statistics of the Variable of Returns on Jordanian Islamic Banks Shares for the Period (2016-2021)

Dividends on Islamic Banks	Scale
0.23	Arithmetic mean
0.11	Standard deviation
0.36	Highest value
0.06	Minimum value

Table (4) shows that the average returns on shares of Jordanian Islamic banks reached (0.23) with a standard deviation of (0.11), and the largest value recorded was (0.36) while the lowest value recorded was (0.06), and this result can be explained by the fact that the return on shares of Islamic banks is one of the indicators of profit achieved for individuals and companies that invest their savings in these banks and to Islamic banks and to the confidence they enjoy from their customers.

Table 5

Results of Single Variance Analysis (ANOVA) to Study the Differences between Islamic Banks in Unsystematic risk Level and Equity Returns

Statistical significance	F	Average squares	Degrees of freedom	Sum of squares	Sources of variation	Standard deviation	Arithmetic mean	Bank	Variable
0.000	17.792*	0.0001	2	0.001	Between groups	0.007	0.009	Jordan Islamic Bank	Financing Risk
		0.0001	15	0.0001	Inside groups	0.000	0.001	Islamic Elite	
			17	0.00	Total	0.005	0.017	Arab	

Sig	F	Mean Square	df	Sum of Squares	Source	Std. Dev	Mean	Bank	Risk
				1				Islamic International	
0.002	9.314*	20.958	2	41.916	Between groups	0.67	87.78	Jordan Islamic Bank	Liquidity risk
		2.250	15	33.752	Inside groups	2.46	84.11	Islamic Elite	
			17	75.668	Total	0.48	86.59	Arab Islamic International	
0.414	0.936	0.950	2	1.900	Between groups	1.74	5.64	Jordan Islamic Bank	Operational risk
		1.015	15	15.232	Inside groups	0.09	6.33	Islamic Elite	
			17	17.132	Total	0.06	6.32	Arab Islamic International	
0.000	65.609*	0.087	2	0.175	Between groups	0.04	0.29	Jordan Islamic Bank	Dividends on Islamic Banks
		0.001	15	0.020	Inside groups	0.03	0.09	Islamic Elite	
			17	0.195	Total	0.04	0.30	Arab Islamic International	

Table (5) shows the differences shown by the results between Islamic banks and they are shown as follows:

Level of financing risk: There are differences between Jordanian Islamic banks in the level of financing risks, as the value of (F) reached (17.792), which is a statistically significant value at the level of significance (α≤0.05), and to find out the sources of these differences, the Scheffe method was applied for dimensional comparisons, where it was found that the differences are in favor of the Islamic International Arab Bank, as the arithmetic average of financing risks for the Islamic Arab Bank reached (0.017), which is the highest arithmetic average, which indicates that the level of financing risk in Arab Bank This is due to the fact that Jordan Islamic Bank is the oldest Islamic bank in Jordan and enjoys high confidence and has won international awards in recent years.

Level of liquidity risk: There are differences between Islamic banks in the level of liquidity risk, as the value of (F) (9.314), which is a statistically significant value at the

level of significance ($\alpha \leq 0.05$), and to find out the sources of these differences, the Scheffe method was applied for dimensional comparisons, where it was found that the differences are in favor of Jordan Islamic Bank, as the arithmetic average of liquidity risk for Jordan Islamic Bank reached (87.78), which is the highest arithmetic average, which indicates that the level of liquidity risk in Jordan Islamic Bank is higher than other banks. Otherwise, this can be attributed to the bank's age in the market and obtaining the largest number of customers, which makes it maintain high liquidity to prevent any emergency that may be exposed to it, considering that it has no last resort.

3. Operational risk level: There are no differences between Jordanian Islamic banks in the level of operational risk, as the value of (F) reached (0.0936), which is a statistically insignificant value at the significance level ($\alpha \leq 0.05$), because all banks apply unified instructions issued by the Central Bank and are subject to the same level of supervision.

4. Stock Return Level: There are differences between Islamic banks in the level of returns on shares of Islamic banks, as the value of (F) (65.609) which is a statistically significant value at the significance level ($\alpha \leq 0.05$), and to find out the sources of these differences, the Scheffe method was applied) for dimensional comparisons, where it was found that the differences came in favor of the Islamic International Arab Bank, as the arithmetic average of its share returns was (0.30), which is the highest arithmetic average, which indicates that the level of returns on shares of Islamic International Arab Bank was higher than others, as this is due to the policies taken by the bank and its banking experience.

Data suitability test for statistical analysis

This part of the study is presented in the tests of the suitability of the linear model for the data of the variables of the study model, by calculating the correlation coefficients between the variables of the independent study to test the existence of the phenomenon of linear extension (multiple linear correlation), as well as the autocorrelation test, as follows:

Linear extension test (multiple linear correlation).

The general linear model assumes the independence of independent variables, which is the basis for the validity of the application of the model, and the model is suitable for carrying out the process of estimating information after achieving this hypothesis, as the phenomenon indicates an almost complete linear correlation between two or more variables, and this leads to the inflation of the value of the coefficient of determination (R^2) and makes its calculated value greater than the actual value, and the values of the correlation coefficients between the variables of the independent study have been calculated, as follows:

Table No. (6)

Correlation matrix between independent variables

3	2	1	
		1	Financing Risk
	1	0.669	Liquidity risk
1	-0.317	-0.335	Operational risk

Table (6) shows that the largest value of the correlation coefficients between the variables appeared between (liquidity risk and financing risk), which amounted to (0.669), and this indicates that the data are free from the phenomenon of multiple linear correlation of variables, and that the value was less than (0.80), and this confirms that the variables are correlational, but the degree of this relationship is medium and there are no strong correlations between them, which indicates the possibility of applying multiple regression

analysis. To confirm this result, the values of the Variance Inflation Factor (VIF) were calculated, and the results were as follows:

Table No. (7)

Variance inflation coefficient values for independent study variables

BRIGHT	Variable
1.047	Financing Risk
1.009	Liquidity risk
1.053	Operational risk

It appears from Table (7) above that the values of the variance inflation coefficients were all confined between the number (1) and the number (10), and this is an indication that the data are free from the phenomenon of multiple linear correlation, which is the problem whose existence means that an independent variable is a function of another independent variable, that is, it rises with its height and decreases with its decrease, as the study model is free from the problem of linear duplication between independent variables, as the values of the variance inflation coefficient were appropriate in that they are less than (10) as well as The permissible variance values that met the acceptance criterion, which is to have a value greater than (0.1).

Autocorrelation test:

The self-correlation was verified by conducting the (Durbin – Watson Test) test for the study model, and the value is acceptable as it ranged between the numbers (0, 4) and Table (8) shows the results of the (Durbin – Watson Test) for the hypotheses of the study, as follows:

Table (8)

Autocorrelation problem test

Total	Calculated W-D value
No high correlation	1.344

Table (8) shows the absence of the phenomenon of autocorrelation, as the calculated values of (D-W) were confined between (0-4), as self-correlation is defined as the existence of a relationship between consecutive random errors calculated from the regression model estimated by the least squares method, and its existence entails some standard problems, and the test is performed using the Durbin-Watson Test (Durbin-Watson Test), where it was found that the values of (Durbin-Watson) are less than (3), which indicates that they are acceptable for the symptoms of the application.

Results:

1- There are differences between Jordanian Islamic banks in the level of financing risk, as it was found that the differences came in favor of the Islamic International Arab Bank, so the arithmetic average of financing risks in it reached (0.017), which is the highest arithmetic average, and this indicates that the level of financing risk in the Islamic Arab Bank is higher than other banks.

2- There are differences between Islamic banks in the level of liquidity risk, as the value of (F) reached (9.314), which is a statistically significant value at the level of significance ($\alpha \leq 0.05$), where it was found that the differences came in favor of Jordan Islamic Bank, so the arithmetic average of liquidity risk for Jordan Islamic Bank reached (87.78), which is the highest arithmetic average, which indicates that the level of liquidity risk in Jordan Islamic Bank is higher than other banks.

3-   There were no differences between Jordanian Islamic banks in the level of operational risk, as the value of (F) was (0.0936), which is a statistically insignificant value at the significance level ($\alpha \leq 0.05$).

4-   The existence of differences between Islamic banks in the level of returns on shares of Islamic banks, as the value of (F) reached (65.609), which is a statistically significant value at the level of significance ($\alpha \leq 0.05$), where it was found that the differences came in favor of the Islamic International Arab Bank, as the arithmetic average of its share returns reached (0.30), which is the highest arithmetic average.

Recommendations

1-   The need for Jordanian Islamic banks to continue to pay attention to the human element in terms of training and qualification so that it can implement the policies and tasks entrusted to it in an acceptable manner.

2-   The need to use and update advanced banking technologies continuously to keep pace with developments in the local, regional, and global banking market.

3-   The need to search for modern financing tools and Sharia compliance to reduce the percentage of excess liquidity (stacked) in Jordanian Islamic banks.

References

1. Abu Munis, Raed, Reputational Risks and Sharia Compliance in Islamic Banks: A Case Study on Reserves in Central Banks and How to Form Sharia Supervisory Boards, Dirasat, Sharia Sciences and Law, Vol. 43, No. 1, 2016, p. 222.

2. Abu Rahma, Cyrine Samih.Bank liquidity and its impact on return and risk: an applied study on Palestinian commercial banks. (Master's thesis). Islamic University, Palestine, Gaza, 2009.

3. Al-Halabi, Yasmeen Tayseer, 2019, The Effect of Idiosyncratic Risk and Stock Liquidity on Stock Returns: Evidence from the UK, Yarmouk University, Jordan.

4. Al Houl, M. A. A., Alqudah, M. T. S., Almomani, M. A. A., & Eid, Q. M. A. (2023). The Risks of Financial Derivatives and Alternatives from the Viewpoint of Islamic Economics. International Journal of Professional Business Review, 8(4), e01213-e01213.

5. Al-Maaytah, Wissam, The Impact of the Degree of Stability of Customer Bank Deposits on the Banking Performance of Jordanian Commercial Banks for the Period (2007-2016), Al-Hussein Bin Talal University Journal for Research, 4(1), 1-21.19. 2018.

6. Alqudah, Muhammad Zakaria Ahmed, 2019 The impact of financial performance on the share prices of Jordanian Islamic banks for the period 2010-2018. Master Thesis, Al al-Bayt University, Mafraq, Jordan.

7. Al-Shammari, Irsheid et..al., Liquidity risk and its impact on the liquidity and profitability of the Islamic Bank, An applied study of a sample of Iraqi private sector banks 2011-2017, Journal of Arts, Literature, Humanities and Sociology, Issue 57, 2020.

8. American Institute of Internal Auditors, IIA, 2004. https://www.knowledgeleader.com/internal-audit-and-risk-management-basics

9. Basel Encyclopedia (II), translated by Nabil Hashad, Union of Arab Banks (2005).

10. Eid, Q. M. A., Al Houl, M. A. A., Alqudah, M. T. S., & Almomani, M. A. A. (2023). The Role of Financial Inclusion in the Stability of Islamic Banks. International Journal of Professional Business Review: Int. J. Prof. Bus. Rev., 8(4), 7.

11. Haidar, Ali, Durar Al-Hakam Explanation of the Journal of Judgments, translated by Fahmi Al-Hussein, Alam Al-Kutub, Riyadh, Special Edition, 2003, Vol. 1, Article 87.

12. Hammoud, Salem Sawadi, Ahmed Ali Ahmed, the risks of non-compliance and their impact on the profitability of Islamic banks, applied research in the Islamic Cooperation Bank (2012-2016), Journal of Accounting and Financial Studies, Issue 40, 2017.

13. Hardan, Tahir, Principles of Investment. 1st Edition, Amman, Jordan: Dar Al-Bedaya, 2017.

14. Ibrahim, Hana Hassan. The Impact of Cash Flows on Equity Returns: A Guide from the Amman Stock Exchange 2007-2017. Master Thesis, Yarmouk University, Irbid, Jordan, 2009.

15. Jamaan, Najat Mohammed A Model for Measuring the Relationship between Risk and Return in Financial Institutions by Application to Yemeni Banks, Sanaa University, Al-Jarah College, 2017.

16. Journal of the Union of Arab Banks, Issue 480, November 2020

17. Karajeh, A. I. (2023). The moderating role of board diversity in the nexus between the quality of financial disclosure and dividends in Jordanian-listed banks. Asia-Pacific Journal of Business Administration, 15(4), 553-571.

18. Karasneh, Ibrahim, Basic and Contemporary Frameworks in Banking Supervision and Risk Management, AMF, Institute of Economic Studies, Abu Dhabi, 2006

19. Kumars, Gupta Pankaj. (2011). "Risk management in Indian companies: EWRM concerns and issues". The Journal of Risk Finance. Vol. 125 pp: 121–39. (DOI: 10.11118/ejobsat.2020.004)

20. Mahboub and Sanoussi, Measuring Operational Risks in Commercial Banks: A Comparative Study between Conventional and Islamic Banks Using the Z-score Index Technique to Measure Financial Stability by Application to Al Salam Bank Algeria for the Period (2016-2017), 2020.

21. Mahboub and Sanussi Operational risk management in Islamic banks Al Salam Bank as a model, 2019

22. Mohamed, Fadl Abdel Karim, Debt Payment in Islamic Banks, An Applied Study on Islamic Banks, Master Thesis, Faculty of Islamic and Arabic Sciences, Nile Valley University, 2001.

23. Mokhtari, Mustafa, Financing Risks in Islamic Banks, master's Thesis, Ben Youssef Ben Khedda University, Algeria, 2009, pp. 94-95.

24. Ndoka, S., & Islami, M. (2016). The Impact of Credit Risk Management in the Profitability of Albanian Commercial Banks During the Period 2005-2015. European Journal of Sustainable Development, 5(3), pp 445-452

25. Rani, N. Yadav, S. & Jain, P. (2015). Financial Performance Analysis of Mergers and Acquisitions: Evidence from India. International Journal of Commerce and Management, Vol. 25, No. 4, PP.402-423. https://doi.org/10.1108/IJCoMA-11-2012-0075

26. Sharabin, Ibtisam, Murabaha Risks as an Alternative to Riba and Methods of Hedging It, Journal of Scientific Research Notebooks, Volume 9, Issue 2, 2021.

27. Shuqairi Nouri, Musa, The Impact of Volume on Stock Returns: An Applied Study on the Amman Stock Exchange. Master Thesis, University of Jordan, Jordan, 2001.

28. Suresh, S., Thenmozhi, M. and Vijayaraghavan, P. (2006), 'Impact of diversification strategy on firm performance: An entropy approach'. The ICFAI Journal of Applied Finance, 12(11), 27-48.

29. Zawi, Asma, The Risks of Financing the Salam Contract in Islamic Banks, master's Thesis, Martyr Hamat Al-Khidr University, 2019.