PressAcademia
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IFC
ISBN ISBN: 978-605-06192-2-5
PressAcademia Procedia YEAR 2021 VOLUME 14
Istanbul Finance Congress, November 4-5, 2021

THE IMPACT OF ISLAMIC BANK'S CORPORATE SOCIAL RESPONSIBILITY AND TOTAL FINANCING ON THE ECONOMIC GROWTH OF JORDAN

DOI: 10.17261/Pressacademia.2021.1502
PAP- V.14-2021(28)-p.119-120

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To cite this document
Elias Abu AL-Haija, (2021). The impact of Islamic bank's corporate social responsibility and total financing on the economic growth of Jordan. PressAcademia Procedia (PAP), 14, 119-120.
Permanent link to this document: http://doi.org/10.17261/Pressacademia.2021.1502
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ABSTRACT

Purpose- The purpose of this study is to investigate the corporate social responsibility (CSR) in Islamic banks of Jordan. The objective was to investigate whether their CSR activities are having an impact on the economy. It was also important to measure the impact of total finances provided by Islamic banks on the economic sector of Jordan.
Methodology- The study employs Gross Domestic Product (GDP) as a dependent variable to measure impact of CSR and total financing. Secondary data was used from bank's annual reports for data analysis for the period of 2014-2019. Various hypotheses were tested through regression analysis to fulfill the research objectives. The approach used in this study was analytical.
Findings- The analysis reveals that a positive relationship between CSR and GDP. Results showed that CSR unique to Islamic banks especially Qard Al Hasan has a significantly positive impact on the GDP. Whereas donations did not have any impact on the GDP. Moreover, total finances given out by Islamic banks had a positive impact on the country's GDP.
Conclusion- based upon the analysis & Findings it may be concluded that CSR carried out by Islamic banks effects the economic growth of a country. It was noticed that CSR unique to Islamic Banks (i.e., Qard al Hasan) showed a significant positive impact on the GDP. A units' increase in Qard al Hasan consecutively led to the increase of GDP by 117.0206 units. The research additionally analyzed the impact of total financing -carried out by Islamic banking sector- on economic growth. It was found that although JIB had the highest number of total finances, IIAB had the highest impact on the economy. This proved that a high amount of bank financing does not necessarily imply a higher impact on the economy. Other factors such as the banks' diversity of finances, strategies, motivations, and other internal organizational factors might influence this impact.

Keywords: Islamic banking, Sharia, corporate social responsibility, gross domestic product, Qard Al Hasan
JEL Codes: G10, G20

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