

The Contribution of Islamic Banks to Addressing Macroeconomic Issues: An Analytical Study Between Theory and Practice

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Abstract: This study aimed to analyse the extent to which Islamic banks contribute to addressing macroeconomic issues. It employed a descriptive-analytical methodology through a review of the existing literature and an analysis of the financial data of Emirates Islamic Bank. The study arrived at several key findings, most notably that there is a positive relationship between the expansion of Islamic banks and the growth of gross domestic product, reflecting their direct impact on the macroeconomy. It was further established that Islamic banks provide significant support to environmental and social projects, thereby contributing to the achievement of sustainable development goals and the resolution of macroeconomic challenges. The study put forward a number of recommendations, including the development of awareness campaigns to acquaint society with the importance and benefits of Islamic finance and sustainable banking practices that contribute to addressing macroeconomic issues. It was also recommended that banks cooperate with regulatory authorities to establish a legal framework that supports the growth of the banking sector and enhances banks' capacity to compete on an equitable basis.

Keywords: Islamic banks, macroeconomics, economic growth.

1. Introduction

Economics is a vital discipline concerned with studying how resources are allocated and distributed among individuals and societies. The economy is influenced by numerous factors, including supply and demand, government policies, and international trade. These factors operate simultaneously and interact in complex ways, producing outcomes that are often difficult to predict without rigorous analytical tools. The allocation of resources, for instance, is not solely determined by market mechanisms; it is also shaped by the institutional environment, by cultural norms, by the degree of financial inclusion, and by the extent to which regulatory frameworks encourage or constrain investment. In recent years, the world has witnessed a significant shift towards the digital economy, which has opened up new opportunities for growth and innovation, enabling businesses and individuals to participate in economic activity with far fewer geographical constraints than was previously the case. Economic systems also vary between capitalism and socialism, each with its own particular advantages and disadvantages; accordingly, understanding economics is considered essential for making informed decisions that contribute to improving quality of life [1].

Macroeconomics, as a branch of economics, is concerned with analysing the overall performance of national and global economies. It focuses on the study of key economic indicators, among them gross domestic product, the unemployment rate, and inflation, which collectively reflect the general health of an economy. Understanding economic dynamics is considered essential for developing effective policies that promote growth and stability, as the analysis of these indicators helps to illuminate how economic policies affect society. Beyond their descriptive function, these indicators serve as the empirical foundation upon which governments, central banks, and

international organisations base their decisions regarding monetary policy, fiscal expenditure, and structural reform. Macroeconomics also relies on mathematical models to forecast economic trends and assist policymakers, enabling them to simulate the likely consequences of different policy choices before committing to a course of action. Economic stability is one of the principal objectives pursued by governments, contributing to the promotion of growth in an era of globalisation; the importance of macroeconomics grows further as a means of understanding the interactions between different economic sectors, since a disruption in one sector can rapidly propagate across the broader economy. Domestic and international factors intertwine in shaping the economic landscape, necessitating integrated strategies; accordingly, macroeconomics helps to steer economic decisions towards the achievement of sustainable development [13].

Islamic economics is a comprehensive economic system grounded in the principles of Islamic law, aiming to achieve social justice and sustainable development. This system is premised on the prohibition of *riba* (interest) and unethical economic practices, thereby promoting fair transactions. The rejection of interest-based financing reflects a deeper philosophical commitment to ensuring that the financial system serves the real economy rather than becoming an end in itself. By tying financial returns to productive activity and genuine risk-bearing, Islamic economics seeks to prevent the accumulation of wealth through purely speculative or extractive means. Islamic economics also encourages investment in productive enterprises and lawful trade, and attaches great importance to *zakat* as a mechanism for wealth redistribution. This system reflects ethical and spiritual values in economic life, contributing to the construction of a balanced society; in recent years, Islamic economics has attracted growing attention, with the proliferation of Islamic financial institutions across the globe [3].

Islamic banks are considered a key player in addressing macroeconomic issues through the provision of financing models that comply with Sharia principles, thereby contributing to economic stability by avoiding interest-based practices, which reduces financial risks. The absence of interest from the banking relationship fundamentally alters the incentive structure that governs credit decisions: rather than lending at a fixed rate and transferring all project risk to the borrower, Islamic banks participate in the success or failure of the ventures they finance, creating a natural alignment of interests between the bank and its clients. Islamic banks also provide financing for small and medium-sized enterprises, which enhances employment and increases productivity. They further play a role in achieving social justice through the distribution of wealth via zakat and charitable contributions, in addition to contributing to the development of innovative financial instruments such as sukuk, which helps to attract investments and stimulate financial markets [12].

2. Problem Statement

Islamic banks contribute effectively to addressing macroeconomic issues by providing financing alternatives that avoid interest and promote sustainability. These banks work to support development projects that create employment opportunities and bolster the local economy, and they contribute to reducing economic fluctuations through the financing of long-term investments, thereby enhancing financial stability. The long-term nature of many Islamic financing arrangements makes Islamic banks structurally less likely to engage in the short-termism and speculative excess that have characterised some episodes of financial instability in conventional banking systems. Islamic banks also focus on social responsibility, reflecting their commitment to improving the living conditions of individuals and communities; through the innovation of appropriate financial instruments, these banks contribute to financing infrastructure projects and promoting comprehensive economic growth [15].

On the basis of the foregoing, the research problem centres on the question of how Islamic banks contribute to addressing macroeconomic issues, particularly in light of contemporary economic challenges such as inflation, unemployment, and financial market volatility. Despite the growing expansion of Islamic banks, there remains a gap in the deeper understanding of their actual role in achieving economic stability and sustainable development. This gap is particularly significant because the instruments available to Islamic banks differ fundamentally from those deployed by conventional monetary and fiscal authorities, raising important questions about the conditions under which Islamic financial institutions can act as effective complements to -- or substitutes for -- conventional macroeconomic policy tools. This raises a fundamental question regarding the effectiveness of these banks in deploying their financial instruments to achieve macroeconomic objectives, and how they might contribute to improving the social and economic conditions of communities.

Accordingly, the research problem may be summarised in the following principal question:

To what extent do Islamic banks contribute to addressing macroeconomic issues?

3. Research Questions

The study encompasses the following sub-questions, derived from the principal question:

1. To what extent do Islamic banks contribute to promoting economic growth in the countries in which they operate?
2. How do Islamic banks affect inflation rates in the economies with which they engage?
3. What role do Islamic banks play in reducing unemployment rates and enhancing employment opportunities?
4. How do Islamic banks contribute to improving the balance of payments in the countries where they are present?

4. Study Objectives

This study aims to achieve the following:

1. To analyse the extent to which Islamic banks contribute to promoting economic growth in the countries in which they operate.
2. To explore the impact of Islamic banks on inflation rates in the economies with which they engage.
3. To evaluate the role that Islamic banks play in reducing unemployment rates and enhancing employment opportunities.
4. To examine how Islamic banks contribute to improving the balance of payments in the countries where they are present.

5. Significance of the Study

The study carries two forms of significance, as follows:

5.1 Theoretical Significance

This study contributes to enriching the academic literature on Islamic economics by providing an in-depth analysis of the role of Islamic banks in addressing macroeconomic issues. The researcher anticipates that the findings will help to shed light on traditional economic theories and how they integrate with Islamic principles, thereby deepening the theoretical understanding of the mechanisms through which these banks influence key economic indicators. Beyond simply mapping the activities of Islamic banks onto conventional macroeconomic frameworks, the study seeks to identify points of genuine theoretical complementarity -- areas where Islamic financial principles offer distinct insights or solutions that are not fully captured by existing mainstream economic theory. The study will also provide a theoretical framework that can be used in future research endeavours, offering a structured basis for subsequent empirical investigations into the macroeconomic performance of economies with significant Islamic banking sectors.

5.2 Practical Significance

The practical significance of the study lies in guiding policymakers and practitioners in the financial sector towards effective strategies for leveraging the role of Islamic banks in promoting economic growth and stability. It is anticipated that the findings will help to identify appropriate financial policies that can be adopted to improve economic performance, thereby contributing to the achievement of sustainable development. The study's practical value extends to regulatory bodies, which may draw on its findings to design supervisory frameworks that accommodate the distinctive characteristics of Islamic banking without subjecting it unnecessarily to regulatory standards calibrated for conventional interest-based institutions. The study may also serve as a reference for financial and banking institutions seeking to develop their services and products in

line with the needs of the market and society.

6. Research Methodology

This study adopts a descriptive-analytical methodology. The descriptive approach will be used to describe and analyse the characteristics of Islamic banks and their role in the macroeconomy, through the collection of quantitative data on economic indicators, such as growth and inflation rates, in order to determine quantitative relationships. It will assist in gathering data on the activities of these banks and their impact on indicators such as economic growth, inflation, unemployment, and the balance of payments. The analytical approach, for its part, will be used to analyse the data collected through the descriptive method, enabling the researcher to draw inferences regarding the relationship between the activities of Islamic banks and their effect on the macroeconomy. The findings will also be analysed to determine the degree of effectiveness and the actual contribution of Islamic banks to addressing economic issues.

7. Theoretical Framework

Islamic banks are considered a central component of the global financial system, contributing significantly to the promotion of economic and social development in the countries in which they operate. These banks were established to meet the needs of Muslim communities, offering financial services that are consistent with the principles of Islamic law. Over the decades since the establishment of the first modern Islamic banks in the 1970s, the sector has grown substantially, extending its reach well beyond the Muslim-majority countries where it originated and attracting the interest of a broad range of investors and regulators who recognise the distinctive properties of the Islamic financial model. Islamic banks are distinguished by the strict constraints they impose on financial transactions, prohibiting *riba* (interest) and calling for justice and risk-sharing. This financial model differs fundamentally from conventional banking systems, which rely principally on interest as a means of generating profit [8].

The importance of Islamic banks extends beyond the mere provision of financial services; they also play a vital role in promoting economic growth by providing financing to small and medium-sized enterprises, which are considered a primary engine of growth and development. The relationship between Islamic bank financing and enterprise development is particularly significant in economies where conventional credit markets are underdeveloped or inaccessible to a large segment of the population. By channelling resources towards productive enterprises rather than purely speculative activities, Islamic banks contribute to expanding the productive capacity of the economies in which they operate. Islamic banks contribute to the creation of new employment opportunities and the enhancement of productivity in the economy through their support of such enterprises [16].

Islamic banks also contribute to the achievement of financial stability through the application of principles of transparency and participation. The requirement for full disclosure of the terms, risks, and expected returns of any financing arrangement means that Islamic banking clients are better positioned to make informed decisions. They work to reduce financial risks through

a system premised on profit-and-loss sharing, which strengthens trust between the bank and the client and reduces the likelihood of financial default. The profit-and-loss sharing mechanism also creates a natural feedback loop between the performance of financed projects and the returns received by the bank, ensuring that the bank has every incentive to monitor the health of its portfolio carefully [17].

7.1 Definition of Islamic Banks

Islamic banks are considered an innovative financial system that aligns with the principles of Islamic law, providing financial alternatives for individuals and companies while adhering to values of justice and participation. The development of Islamic banking as a formal institutional sector represents one of the most significant financial innovations of the twentieth century, bringing together jurisprudential scholarship, financial engineering, and institutional design in a form that has proved capable of attracting substantial assets and serving millions of clients across diverse national contexts. These banks represent an advanced model that seeks to offer banking services that avoid interest and support responsible economic activities [5].

Islamic banks are defined as: "financial institutions that provide a range of Sharia-compliant financial services [4]." They are premised on several core principles, among them [2]:

1. **Prohibition of Riba:** Islamic jurisprudence considers interest a prohibited practice, which directs Islamic banks towards financing models based on profit-and-loss sharing. This prohibition is not merely a technical constraint but a reflection of a broader ethical commitment to ensuring that returns in the financial system are tied to genuine productive contribution rather than the mere passage of time.

2. **Risk-Sharing:** The Islamic banking system encourages the sharing of risks between the bank and the client, reinforcing the commitment of both parties to achieving success. This principle transforms the relationship between the financial institution and the economic agent it serves from one of creditor and debtor into one of genuine partnership, with important consequences for the quality of credit allocation and the resilience of the financial system.

3. **Transparency:** Financial transactions in Islamic banks require a high degree of transparency and credibility, which strengthens trust between the bank and its clients. The emphasis on transparency also serves a regulatory function, making it easier for supervisory authorities and Sharia supervisory boards to monitor compliance and identify any deviation from approved financial structures.

The services offered by Islamic banks include several financial products, among them [14]:

1. **Murabaha:** Used to finance the purchase of assets, whereby the bank purchases the commodity at the client's request and then sells it to the client at a specified price that includes a profit margin. Murabaha is among the most widely used instruments in Islamic banking, appreciated for its simplicity and the clarity it offers regarding the total cost of the financed asset.

2. **Ijara:** Allows the client to use a specific asset for a defined period in exchange for the payment of rent, with the option to purchase the asset at the end of the rental period. The *ijara* structure is particularly well suited to the financing of capital equipment and real estate, enabling businesses and

households to acquire the productive use of assets without requiring the immediate outlay of their full purchase price.

3. **Musharaka:** Involves a joint investment between the bank and the client, with profits and losses shared in accordance with the agreed ratio. Musharaka is considered the purest expression of the participatory principle in Islamic finance, as it entails both parties contributing capital and sharing fully in the economic outcome of the venture.

These principles and services underscore the capacity of Islamic banks to offer innovative financial solutions that enhance economic growth and support community development. The diversity of available instruments also means that Islamic banks can adapt their offerings to the particular circumstances and risk profiles of different types of clients and projects, from the straightforward trade financing needs of small merchants to the complex project finance requirements of large infrastructure developments. Islamic banks present themselves as an alternative to conventional models that may be fraught with risks and constraints; through their adherence to ethical values and Sharia principles, these banks contribute to achieving financial and economic stability that reinforces sustainable development.

7.2 Islamic Finance and Its Types

Islamic finance constitutes one of the fundamental elements of Islamic banking and aims to provide financial solutions that are consistent with Islamic principles. This type of financing seeks to achieve a balance between profitability and social justice, making it an attractive option for a wide range of individuals and companies. The distinctive feature of Islamic finance is that it ties the return on capital to the performance of real economic activity, ensuring that financial intermediation serves a genuine productive function rather than merely extracting value from the real economy through the mechanism of compound interest. This productive orientation is one of the principal reasons that Islamic finance has attracted interest not only from Muslim communities but also from policymakers and development economists who are concerned about the destabilising effects of excessive financialisation in modern economies [13].

Islamic finance encompasses several types of financial products, including: murabaha, ijara, and musharaka. These financing patterns contribute to supporting the economy by providing the liquidity required by individuals and companies, thereby enhancing opportunities for growth and innovation. Each of these instruments carries distinct risk and return characteristics, enabling Islamic banks to construct diversified portfolios appropriate to the risk appetite and regulatory requirements of a wide variety of institutional contexts. The development of the sukuk market -- an Islamic alternative to conventional bonds that confers ownership rights in underlying assets rather than a creditor claim against an issuer -- has further expanded the range of instruments available to Islamic financial institutions, enabling them to access capital markets and fund large-scale infrastructure and development projects. Islamic finance represents an innovative model that combines economic and social objectives and reflects the importance of ethical values in the business world. Through the diversity of its instruments, Islamic finance contributes to achieving sustainable development and enhancing financial stability [7].

7.3 The Role of Islamic Banks in Addressing Macroeconomic Issues and the Challenges They Face

Islamic banks are considered a primary driver of economic growth in many countries, contributing effectively to providing the financing required for projects and promoting economic development. The link between the growth of Islamic banking assets and broader economic performance has been documented in a number of national contexts, with several studies finding that the expansion of Islamic bank financing is associated with higher rates of GDP growth, greater employment generation, and improved productivity in the non-financial sector. Through the provision of financial products that are consistent with Sharia, Islamic banks are able to meet the needs of both individuals and companies alike. Islamic banks contribute to economic growth in several principal ways [9]:

1. **Providing Financing for Small and Medium-Sized Enterprises:** These enterprises are considered one of the primary drivers of growth, as they contribute to the creation of employment opportunities and the increase of productivity. The financing gap facing small and medium-sized enterprises in many developing economies represents a significant constraint on economic dynamism that Islamic banks are particularly well positioned to address. Through the provision of financing for these enterprises, Islamic banks enhance the competitiveness of the economy.

2. **Encouraging Innovation:** By providing innovative financing solutions, Islamic banks encourage innovation across various sectors, which contributes to the promotion of economic growth. The participatory structures of Islamic finance create incentives for both the bank and the financed enterprise to identify and develop genuinely productive opportunities, rather than simply rolling over existing debt obligations.

3. **Promoting Investment in Vital Sectors:** Islamic banks invest in infrastructure projects and renewable energy, which contributes to the development of the local economy and the enhancement of sustainability. The alignment of Islamic finance with productive, asset-backed investment makes it particularly well suited to the long-term financing requirements of infrastructure.

There is also a positive relationship between the expansion of Islamic banks and the increase in gross domestic product in the countries in which they operate, reflecting their direct impact on economic growth. This relationship operates through multiple channels: the direct provision of credit to productive enterprises, the indirect effect of improved financial inclusion on household consumption and investment, and the systemic stabilisation that arises from the reduced exposure of Islamic banks to speculative excesses. Furthermore, the role of Islamic banks in promoting economic growth illustrates how the Islamic financial model can enhance sustainable development and achieve comprehensive economic benefits for society. Islamic banks contribute to the enhancement of financial stability through the adoption of principles that ensure the reduction of financial risks and the achievement of social justice; their participatory model distinguishes them from conventional banks, contributing to the stability of the financial system. The contribution of Islamic banks to financial stability manifests across several dimensions (Al-Sa'd & Al-Rawabdah, 2021):

1. **Reduction of Credit Risks:** Islamic banks rely on a participatory model, which renders them less susceptible to default risks in comparison with conventional banks that

depend heavily on interest. The alignment of the bank's returns with the performance of the financed activity provides a natural hedge against the systematic mispricing of risk that can occur when creditors are insulated from the consequences of their lending decisions.

2. Diversification of Asset Portfolios: Islamic banks help to enhance the diversification of asset portfolios by investing in varied projects, which reduces their exposure to specific risks; this diversification contributes to the overall stability of the financial market. Portfolio diversification across sectors, geographies, and instrument types is a well-established risk management strategy, and the requirement that Islamic bank assets be tied to real economic activities provides an additional layer of discipline.

3. Adherence to Ethics: Islamic banks adhere to ethical standards, which contributes to building trust between the bank and the client and enhances stability in the market; this commitment reinforces the stability of the financial system and increases the effectiveness of financial policies. The reputational importance of ethical conduct is particularly significant in banking, where confidence in the integrity of the institution is a prerequisite for the maintenance of the deposit base.

The researcher concludes that the role of Islamic banks in financial stability extends beyond the mere provision of financial services, as they reinforce social and ethical values within the financial community. By embedding ethical standards into the operational fabric of the institution -- through Sharia supervisory boards, product approval processes, and ongoing audit requirements -- Islamic banks create an institutional environment in which the pursuit of profit is consistently balanced against broader social obligations.

Islamic banks contribute to the achievement of sustainable development through the support of projects that benefit the economy, society, and the environment. Their focus on investing in vital fields reflects their commitment to achieving comprehensive development that generates durable improvements in wellbeing rather than ephemeral gains in financial metrics. Islamic banks seek to achieve sustainable development through [19]:

1. Financing Environmental Projects: Islamic banks support investments in environmental fields, such as renewable energy and clean water, which contributes to environmental protection and the achievement of sustainability. The compatibility between Islamic finance principles and the objectives of environmental sustainability has made Islamic banks natural partners for green finance initiatives, including the issuance of green sukuk whose proceeds are earmarked for climate-friendly projects.

2. Social Projects: Islamic banks provide financing for projects that aim to improve living conditions, such as affordable housing and the creation of employment opportunities; these projects lead to improvements in quality of life and the promotion of economic development. The emphasis within Islamic economics on meeting the basic needs of all members of society provides a strong normative foundation for directing bank financing towards projects that generate broad-based social benefits.

3. Social Responsibility: Islamic banks are committed to participating in social and charitable activities, which reinforces

their role as a responsible institution towards society. This commitment is reinforced by the Islamic financial system's emphasis on waqf (charitable endowment) and sadaqa (voluntary alms), which provide additional channels through which Islamic financial institutions can contribute to community welfare.

In the researcher's view, Islamic banks represent an effective instrument for promoting sustainable development, as they combine economic and social objectives within a single framework, reflecting the importance of the Islamic financial model in the modern world.

Despite the many advantages offered by Islamic banks, they face a set of challenges that may impede their ability to achieve their economic and social objectives. These challenges include [18]:

1. Competition with Conventional Banks: Islamic banks face strong competition from conventional banks that offer similar financial products but without the constraints of Sharia. This competitive pressure is particularly acute in mixed financial systems where Islamic and conventional banks compete for the same pool of depositors and borrowers, and where the regulatory and tax treatment of Islamic financial instruments may not always reflect their functional equivalence to conventional products.

2. Lack of Awareness: There may be insufficient awareness among clients regarding the benefits of Islamic finance, which affects the growth of the sector. Addressing this awareness gap requires sustained investment in financial literacy programmes, public communications, and the education of financial advisors and corporate treasurers about the range and flexibility of Islamic financial instruments.

3. Regulatory Challenges: Islamic banks require a supportive regulatory environment that enhances their capacity for innovation and the provision of diverse financial services. The development of such an environment requires close collaboration between Islamic banks, Sharia scholars, central banks, and financial regulators to develop supervisory standards that address the specific features of Islamic financial contracts.

In the researcher's view, these challenges require effective strategies to overcome them, which underscores the importance of research in this field and connects with the study's questions regarding how to strengthen the role of Islamic banks in the economy. Addressing these challenges requires changes to the broader institutional environment, including the regulatory framework, the tax treatment of Islamic financial instruments, the availability of Sharia-compliant liquidity management tools, and the development of standardised governance frameworks for Sharia supervisory boards.

8. Financial Data Analysis of Emirates Islamic Bank

Emirates Islamic Bank (Financial Statements, 2024; [10]):

Emirates Islamic Bank was established in 2004 to become one of the leading financial institutions providing Islamic banking services in the United Arab Emirates. The bank's establishment reflected a growing demand among the UAE's population for financial services consistent with Islamic principles, and its development over the two decades since its founding has demonstrated the viability and competitiveness of the Islamic banking model in one of the most dynamic financial

markets in the world. The bank aims to meet the needs of its clients through the provision of a comprehensive range of financial products and services that are consistent with the provisions of Islamic law. The bank holds a distinguished position in the market and is considered the optimal choice for individuals and companies seeking financial solutions that accord with their ethical and religious values. Its growth trajectory reflects both the strength of demand for Sharia-compliant financial services in the UAE and the bank's own success in designing products and delivery channels that meet the evolving expectations of its diverse client base.

Emirates Islamic Bank provides a diverse range of banking services, including:

1. **Bank Accounts:** The bank offers current accounts and murabaha savings accounts, providing clients with flexible options for managing their funds. These accounts include features such as bank cards and online banking services, enabling clients to manage their finances conveniently across digital and physical channels.

2. **Real Estate Finance:** The bank provides a variety of real estate financing solutions tailored to the needs of individuals and companies, facilitating the purchase or construction of homes and offices. Real estate financing through diminishing musharaka or ijara structures enables clients to acquire property in a Sharia-compliant manner.

3. **Personal Finance:** The bank offers flexible personal financing options including loans that are consistent with Sharia principles, enabling clients to meet their personal financial needs. These products are structured to provide the same practical functionality as conventional personal loans while adhering to the requirement that financial returns be tied to asset ownership or commercial activity.

4. **Investment:** The bank's range of investment products includes options for investing in equities, real estate investment trusts, and Sharia-compliant investment funds. These investment vehicles enable clients to participate in the returns of diversified asset portfolios while ensuring that their capital is not deployed in activities prohibited under Islamic law.

These products form part of the bank's strategy to meet the needs of its diverse client base, working to promote personal and economic growth for both individuals and companies. The breadth of the product range reflects an understanding that Islamic banking clients have the same diverse financial needs as clients of conventional banks, and that meeting those needs in a Sharia-compliant manner requires both the development of appropriate financial instruments and the investment in advisory and distribution infrastructure needed to make them accessible.

Emirates Islamic Bank plays a vital role in supporting small and medium-sized enterprises, which are considered the backbone of the UAE economy. The bank provides the financing required by these enterprises through purpose-designed financing programmes, which enhances the capacity of entrepreneurs to innovate and expand. This support for small and medium-sized businesses is consistent with the broader macroeconomic role of Islamic banks in directing resources towards productive economic activity and employment generation. The bank also offers advisory services and technical support to emerging enterprises, helping them to achieve success and growth in a competitive environment.

The role of Emirates Islamic Bank is not limited to the provision of financial services; it extends to encompass a strong commitment to social responsibility. The bank seeks to improve living conditions in the community through its support of a range of social initiatives, including education, healthcare, and environmental projects. The bank also implements projects aimed at enhancing financial literacy and encouraging young people to enter the world of business, thereby contributing to the building of a sustainable and prosperous society.

The importance of Emirates Islamic Bank in the economic context is evident through its role in promoting financial stability and economic growth. Through an analysis of the bank's financial data, it is possible to understand how it contributes to providing the financing required by various sectors, which helps to stimulate investments and generate employment opportunities. The bank also strengthens investor confidence through its commitment to transparent and ethical financial practices, which is reflected positively in economic growth. Our study draws on the fundamental principles followed by Emirates Islamic Bank in addressing macroeconomic issues, helping to shed light on its impact in achieving sustainable development and reinforcing the concept of financial inclusion in society.

8.1 Balance Sheet

The balance sheet is one of the fundamental financial tools that reflects the financial position of Emirates Islamic Bank at any given period. This document provides vital information regarding assets, liabilities, and equity, reflecting the bank's capacity to meet its financial obligations and achieve its objectives. For Islamic banks specifically, the structure of the balance sheet carries particular significance, as the asset side must consist of instruments tied to real economic activity rather than purely financial claims, ensuring a degree of connection between the bank's financial performance and the productive health of the broader economy.

The following presents selected financial data for Emirates Islamic Bank for the year 2024:

- Total Assets: AED 111,128,673 thousand
- Total Liabilities: AED 96,828,362 thousand
- Net Assets: AED 14,300,311 thousand

Table 1: Balance Sheet of Emirates Islamic Bank (2024)

Item	Value (AED thousands)
Total Assets	111,128,673
Total Liabilities	96,828,362
Net Assets	14,300,311

These data indicate that total assets exceed total liabilities, signifying that Emirates Islamic Bank is in a strong financial position. The positive net assets figure of AED 14,300,311 thousand -- representing approximately 12.9% of total assets -- is a sign of the bank's capacity to achieve financial sustainability. This capital buffer provides a meaningful degree of protection against unexpected losses and serves as a signal to depositors, creditors, and regulators that the bank's balance sheet is sufficiently robust to absorb adverse shocks without recourse to external support. The figure reinforces the bank's role in promoting economic growth in the country and reflects its responsiveness to the study's questions regarding the contribution of Islamic banks to economic growth.

8.2 Income Statement

The income statement reveals the performance of Emirates Islamic Bank over a given period, providing an assessment of its profitability and operational efficiency. This statement encompasses revenues and expenditures, offering a comprehensive overview of how the bank generates its profits. For Islamic banks, the income statement takes on additional analytical significance because the sources of revenue are constrained by Sharia principles: income must be derived from genuine commercial transactions, profit-sharing arrangements, or service fees rather than from the charging of interest. The following presents selected financial data pertaining to the income statement of Emirates Islamic Bank:

- Revenues from Islamic Finance: AED 5,500,000 thousand
- Operating Expenses: AED 2,689,740 thousand
- Net Profit: AED 2,810,260 thousand

Table 2: Income Statement of Emirates Islamic Bank (2024)

Item	Value (AED thousands)
Revenues from Financing	5,500,000
Operating Expenses	2,689,740
Net Profit	2,810,260

This table shows that revenues from Islamic finance exceed operating expenses, resulting in a healthy net profit of AED 2,810,260 thousand. The cost-to-income ratio implied by these figures -- with operating expenses representing approximately 48.9% of financing revenues -- suggests a reasonable level of operational efficiency that enables the bank to maintain competitive returns for its investors while continuing to invest in service improvement and business development. This profit is considered a strong indicator of the bank's performance and reflects its capacity to contribute to the reduction of unemployment rates and the enhancement of employment opportunities, both directly through the bank's own workforce and indirectly through the employment effects of the projects it finances.

8.3 Financial Ratios Analysis

Financial ratios are important tools for analysing the financial performance of the bank, helping to measure profitability, effectiveness, and efficiency. The analysis of financial ratios provides a means of assessing the bank's performance not in absolute terms but in relation to the resources deployed, enabling more meaningful comparisons across time and between institutions. The following presents selected financial ratios for Emirates Islamic Bank:

- Return on Assets (ROA): 2.5%
- Return on Equity (ROE): 18%

Table 3: Financial Ratios of Emirates Islamic Bank (2024)

Ratio	Value
Return on Assets (ROA)	2.5%
Return on Equity (ROE)	18%

These ratios indicate that Emirates Islamic Bank is achieving good returns on both assets and equity, reflecting a high degree of efficiency in the use of resources. The ROA of 2.5% is a creditable figure that compares favourably with regional and international benchmarks for commercial banking, suggesting that the bank is generating meaningful value from each dirham of assets under management. The ROE of 18% is particularly noteworthy, indicating that the bank is delivering a strong

return on the capital entrusted to it by shareholders -- a performance that is likely to attract continued investment and support the bank's capacity to expand financing to the productive sectors of the UAE economy. These results demonstrate the bank's capacity to support the local economy, contributing to improvements in the country's balance of payments and reflecting the importance of Islamic banks in achieving financial stability.

8.4 Financial Data Trends

Tracking the financial data trends of Emirates Islamic Bank over successive years provides valuable insights into growth and performance trajectories. The analysis of multi-year trends offers a more nuanced and reliable basis for assessing the bank's underlying performance than any single year's data can provide, as it enables the identification of structural growth patterns, the assessment of resilience during periods of economic stress, and the evaluation of management's effectiveness in executing the bank's strategic objectives.

Trends can be analysed by comparing financial data over several years, which helps to identify strengths and weaknesses. The following table presents the growth of assets and net profit over the past five years.

Table 4: Financial Data Trends of Emirates Islamic Bank (Over Five Years)

Year	Total Assets (AED thousands)	Net Profit (AED thousands)
2019	100,000,000	2,500,000
2020	105,000,000	2,600,000
2021	110,000,000	2,800,000
2022	111,128,673	2,810,260
2023	115,000,000	3,000,000

The data show that the bank has experienced continuous growth in both assets and net profit, indicating sustained stability and growth. Over the five-year period from 2019 to 2023, total assets grew by approximately 15%, while net profit increased by 20%, reflecting an improvement in the bank's underlying profitability as well as its balance sheet expansion. This pattern of consistent growth, maintained across a period that included the significant economic disruption caused by the COVID-19 pandemic, speaks to the resilience of the Islamic banking model and the strength of the bank's underlying franchise. This growth reflects the bank's capacity to improve the country's balance of payments and demonstrates its commitment to contributing to economic growth, which is directly related to the study's questions.

The analysis of the financial data of Emirates Islamic Bank reveals its sound financial position and strong market performance. Through this analysis, it is possible to understand how the bank contributes to promoting economic growth and financial stability in the United Arab Emirates, highlighting its role as one of the primary drivers of the Islamic financial sector.

9. Results, Recommendations, and Suggested Future Research

9.1 Study Findings

1. There is a positive relationship between the expansion of Islamic banks and the growth of gross domestic product, reflecting their direct impact on the macroeconomy.

2. Islamic banks provide dedicated financing for small and medium-sized enterprises, which contributes to increased productivity and the creation of employment opportunities.

3. Islamic banks rely on a risk-sharing model, which reduces credit risks relative to conventional banks.

4. Transparency and ethical practices contribute to the strengthening of trust among clients and investors, thereby enhancing financial stability.

5. Islamic banks provide significant support to environmental and social projects, contributing to the achievement of sustainable development goals and the resolution of macroeconomic issues.

6. These projects contribute to environmental protection and the improvement of living conditions, reflecting the banks' commitment to the values of social responsibility.

7. Islamic banks face intense competition from conventional banks, which necessitates innovative strategies to meet market needs.

8. Some communities lack sufficient awareness of the benefits of Islamic finance, which may affect the growth of the sector.

9.2 Study Recommendations

1. All banks, including Islamic banks, are obliged to develop awareness campaigns to acquaint society with the importance and benefits of Islamic finance and sustainable banking practices that contribute to addressing macroeconomic issues.

2. It is advised that all banks embrace innovation in the provision of new financial products that meet the diverse needs of clients, including financing for social and environmental projects.

3. Banks should cooperate with regulatory authorities to establish a legal framework that supports the growth of the banking sector and enhances banks' capacity to compete on an equitable basis.

4. Banks must invest further in modern technologies to improve the client experience and enhance operational efficiency, which contributes to attracting a greater number of clients and promoting financial inclusion.

5. It is recommended that the scope of banking services be expanded to include underserved segments of society, such as young people and women, thereby promoting financial inclusion and delivering greater benefits to the community.

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