

Private Banks: The Driving Force behind the Expansion of the Sukuk Market in the Islamic Economy

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DOI: 10.22096/ESP.2023.135547.1402

Received Date: 21/09/2020 - Accepted Date: 12/09/2021

Abstract

The bank, as one of the institutions of the money market, has an important role in financing projects. One of the most common methods of financing banks is to use the issuance of securities backed by bank facilities. Using the capacity of banks in the Islamic banking system can not only expand the Sukuk market and the capital market, but also increase their efficiency. This article has been compiled with the aim of examining the issuance capacity of securities (Sukuk) in the country's banks and has compared the impact of banks on the expansion of the Sukuk market. To test the research hypotheses, the statistical technique of GMM and panel data of 17 public and private banks between 2008 and 2017 has been used. The results of this study showed that liquidity has a negative and significant effect on the expansion of the Sukuk market in private and public banks. Also, a positive and significant relationship was observed between the expansion of the Sukuk market and the size of the bank, which is much stronger in private banks than state-owned banks. In other words, the magnitude of the aforementioned relationship is 73% more in the case of private banks. Finally, it was observed that reduction in economic growth implicates an opportunity for private banks to finance their liquidity needs via Sukuk.

Keywords: Sukuk; Financing; Public Banks; Private Banks; Islamic Economy.

JEL Classification: C33, G1, G15, G21, G29.

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