

Ijara Ending with Ownership (Lease) A Case Study of Jordanian Islamic Banks

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Abstract

The study aims to analyze a comparative analysis of the pricing of the Ijara (Lease) product ending with ownership in four Islamic banks operating in Jordan, namely: Jordan Islamic Bank, Safwa Islamic Bank, Islamic International Arab Bank, and Al Rajhi Bank, where the data was collected through personal interviews with a sample of facilities staff in the four banks who have experience in dealing with the Ijara product ending with ownership, and the data was analyzed using (Excel) For each bank, the rate of return on Ijara, the stability of the return, the amount of mutual insurance, the administrative fees, the grant commission, the internal rate of return (IRR), the possibility of early repayment with deduction from the remaining returns, and the pros, cons and common factors between the four banks were compared. The study found that the Ijara product ending with ownership in Jordanian Islamic banks varies greatly in terms of terms and advantages, and although there are some positives, there is a need for more uniformity and transparency in the provision of this product, and the study recommended that customers should carefully compare different offers before choosing the right bank, negotiate with banks for better terms, and the need to be familiar with the terms of the contract before signing, and develop a financial plan Studied before requesting financing, while ensuring the ability to pay installments regularly, and recommended banks to diversify banking products and apply the fourth form of transfer of ownership (gradual lease contract) because it achieves justice for the parties to the contract and is free from Deception (Gharar) against the tenant.

Keywords: *Ijara, Ijara Ending with Ownership, Jordanian Islamic Banks.*

Introduction

The lease contract ending in ownership is basically an operating lease contract, and it is a financing contract, where the lessor undertakes to own an asset by buying it and presenting it to the lessee so that the lessee pays the value of the asset in multiple installments, and this method exists in traditional financing, but Islamic finance has made some legal amendments to it to achieve justice between the parties to the lease contract, including that it is necessary to determine a method of transfer Ownership to the lessee in a separate document from the lease contract, and the promise of ownership must be binding on the person who makes it (the bank) but optional for the lessee, and it is not permissible to conclude a contract of sale and possession in the future in connection with the conclusion of the lease contract, and if the leased asset perishes or the lease contract cannot continue until the end of its term without the fault of the lessee, the lessee returns to the proverbial rent, and the lessor returns the difference between the proverbial rent and the rent stipulated in the contract, if the difference exceeds Reciprocal rent, in compensation to the lessee for the damage caused to the lessee as a result of the lessee's acceptance of a rent in excess of the said rent in exchange for a promise to own at the end of the lease period. There are four forms of termination of ownership: the first is the lease contract, which promises to sell the property upon payment of all rental installments (while the grant is a separate contract), the second is the lease contract, which undertakes to sell the leased property for a symbolic amount paid by the lessee at the end of the lease period after paying all the agreed rent installments; The interim lease under which the lessee buys at the end of each term a part of the leased property and leases the remaining part until the leased property is fully purchased (Kantakji,2010).

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The stages of the lease contract ending with ownership begin with the lessor buying, owning, paying for and receiving the asset, then the lessor concludes a lease contract with the lessee, and once the lessee fulfills all the lease installments, the lessor transfers the ownership of the property to the lessee by assigning the ownership of the property in favor of the lessee.

Study Population

The study population is represented in the Jordanian Islamic banks, which are four banks: Jordan Islamic Bank, International Islamic Arab Bank, Safwa Islamic Bank, and Al-Rajhi Bank (a foreign bank).

Objectives Of the Study

This study aims to a comparative analysis of the Ijara product ending with ownership in four Islamic banks operating in Jordan, namely: Jordan Islamic Bank, Safwa Islamic Bank, International Islamic Arab Bank, and Al Rajhi Bank. Compare the terms of the Ijara product ending with ownership between the four banks, calculate and evaluate the internal rate of return (IRR) for each bank and identify the pros, cons and common factors between these banks. Hence make some recommendations for the development of this banking product.

The Importance of The Study

This study is essential to understand how Islamic banks operate and how to manage investment accounts in line with Shariah principles and helps clarify the rights and obligations of both depositors and banks, thus contributing to enhancing confidence in the Islamic banking system. It also highlights the different dimensions of joint investment accounts in Islamic banks and highlights the importance of a deep understanding of the contractual and Shariah relationships that govern these accounts.

Study Terminology

Ijara: A contract of sale for the benefits of objects and services, as it is related to the benefits of objects, such as the lease of land and means, as well as to human benefits (Zaid,1996,15).

Financial Lease: A contract of agreement between the lessor and the lessee whereby the right to use a certain property owned by the lessor is transferred to the lessee for a limited period in return for the contracted return (Zaid,1996,23).

Ijara Ending with Ownership: A contract between two parties in which one of them leases something for a certain amount of money for a certain period, provided that the ownership of such thing devolves to the lessee at the end of the agreed period(Qalaji,2002,86)

Sharia Controls: The rules, principles or conditions set by the wise street to govern investment and financing operations at all stages of implementation.

Study Methodology

The descriptive analytical approach was used in this study, where the data was collected through personal interviews with the facilities staff in the four bank branches, who were selected through a sample of employees who have experience in dealing with the Ijara product ending with ownership, and the data was analyzed using (Excel) to calculate the internal rate of return (IRR) and compare other conditions.

Previous Studies

Several studies have been conducted to explore the application of the lease contract in Islamic law.

AlMossallem (2023,2456) conducted a fundamental study on the end of leasing with ownership, utilizing inductive, analytical, and comparative approaches. The research emphasizes the prohibition of certain transaction forms, suggests legitimate alternatives, and calls for a review of financial institution contracts.

AlShimmary (2014) explored issues with lease contracts ending in ownership in Qatari Islamic banks, addressing leasing conditions, Islamic jurisprudence rulings, and violations of Shariah and law within these contracts.

Freihat (2016) focused on the legislative, accounting, and comparative aspects of leasing contracts that end with ownership, examining the emergence, advantages, legal aspects, and differences between financial leasing and ownership-ending leases in the Jordanian banking market.

AlHaji Muhammad (2003), analyzed the Ijara contract ending in ownership in Islamic jurisprudence, focusing on its essential elements and the position of Islamic law on the matter.

Dunia (2001) discussed leasing ending in ownership as a valid commercial financing instrument accepted by Sharia. The researcher pointed out differences in man-made laws governing this contract and the importance of financial leasing in modern transactions.

Kokash (1994) delved into various types of leasing, including land, houses, and shops, while also touching on modern means of transportation and movable items. The study highlighted the provisions related to leasing of individuals and the guarantee of assets. Islamic banks have adopted modern forms of the Ijara contract, such as renting iron boxes and financial leasing.

Ijara and Its Legality

Jurists define leasing as a contract on a known permissible benefit that is taken little by little for a known period from a known or described origin, or a known work with known compensation (<https://dorar.net/feqhia/7942>). Leasing is legitimate according to the Holy Book and the Sunnah of the Prophet and the consensus of the imams, and it is one of the permissible contracts and transactions if it performs a legitimate permissible purpose and if it is based on its pillars that have its conditions, the legality of leasing is inferred from the following verses:

“Then there came to him one of the two women, walking shyly. She said: “Verily, my father calls you that he may reward you for having waters (our flocks) for us” **{Qasas:25}**.

“And said One of them, O my father! hire him! Hire him! Verily, the best of men for you to hire is the strong, the trustworthy” **{Qasas:26}**.

“He said, if you had wished, surly, you could have taken a wage for it” **{Al-Kahf: 77}**.

From The Sunnah Of The Prophet What Was Mentioned In Sahih Muslim about the reward for earning from cupping (Sahih Muslim, Kitab Al-Musaqat, (Solution of Cupping Fare Chapter), p. 697, Hadith (1577)), and what was mentioned in al-Bukhari (Leasing chapter) about the sin of preventing the wage of the employee: "Abu Hurayrah reported that the Prophet (peace and blessings of Allah be upon him) said: "Allah Almighty said: "I am their opponent on the Day of Resurrection, a man who gave to me and then treacherously, a man who sold free and ate its price, and a man who rented a wage and paid it and did not give him his reward." Al-Bukhari, Bab al-Ijara, hadith (2270) On the legality of leasing, as Ibn Qudamah says in every era and in all Egypt on the permissibility of leasing, except what tells about Abdul Rahman bin Al-Asam that it is not permissible because he was deceived, but this does not prevent the consensus that he had previously in the hurricane and prevailed in the regions (Ibn Qudamah, ND), and as Imam Shafi'i says, "The year has passed, and it was worked by other than one of the companions of the Messenger of God, may God bless him, and the people of knowledge in our country do not differ in its leave, and the commoners of the jurists of the regions." (Al-Shafi'i, ND,58)

Ruling On the Lease Contract: a prize, which is the sale of the benefit and the sale of a netting contract that requires the property to be proven in the two compensations, and the correct lease indicates that the property is proven in the benefit of the lessee, and in the rent named for the brick.

The Wisdom of Its Legitimacy: Its importance comes from the need of people for it and the establishment of their livelihood by it, as it is an important way to spend their affairs and satisfy their desires, most of which can only come through leasing and leasing, and that those who do not have the means of subsistence such as housing, boat and others resort to renting from other parties that God made their property to be one of the reasons for their livelihood, which provides them with an allowance for renting them, especially things that do not need to be owned constantly and may need them once and thus save the costs of acquiring them Permanently, and God Almighty harnessed the creatures to each other so that life continues and does not disrupt, the individual is good at one profession and is not good at other professions, so he brings someone who does it for him to take a reward in return.

Description of The Lease Contract: The public of jurists went to the fact that it is a necessary contract, and it is not dissolved except by the necessary contracts of the existence of the defect in it, and the public relied on the Almighty's saying: **{Fulfill the contracts} {Table: 1}**, because the lease is a contract on benefits, and because it is a contract on netting, its origin was not dissolved such as sale (Al-Andalusi,1996).

Elements, Conditions, Types and Reasons for Termination of The Lease Contract

The Elements Of The Lease Contract And Its Conditions (Al-Zuhaili,2004,2943), lease has four pillars, the first of which **is the formula of offer and acceptance:** It means the offer and acceptance and is held with the word lease and rent because they are the subjects of it, as well as everything that leads to its meaning to obtain what is meant by it, and the formula requires (Musa,1996,237) clarity of meaning in the form of the contract, and the compatibility of the offer and acceptance and the assertion of the two wills, and the connection of the offer to acceptance, and the second pillar **of the contractors (the parties to the contract: the lessor and the lessee)** and requires reason, puberty, consent and guardianship over the contracted, and the third elements of **benefit** It is the contract and which is intended to be obtained, and it is stipulated that the benefit is permissible, intentional and evaluated, and the value of what has a value in Sharia (Al-Dasouqi,N.D,362) **and that the benefit is able to be delivered**, and the benefit is obtained for the tenant, and the fact that the benefit is known as much and recipe and precisely defined, which prevents dispute and difference, so the agreement is made since the beginning of the matter and before proceeding to collect the benefit to work with its limits, time and controls, as well as it is required that the eye be what remains after the benefits are fulfilled from it because what is meant by the lease contract Collecting the benefit from the leased property, not the consumption of the property itself. **And the fourth element of the rent**, and since the lease is a netting contract in which each party provides a benefit from a leased property to the other party, which in turn provides the other party with a known allowance called the rent in exchange for benefiting from the benefit, whether that benefit is from an eye that is collected from it or from a specific known work, and the rent is required to be money, and that the rent is not part of the contract, and that the lease is not on a benefit of the sex of the contracted

Types of leasing: The types of leases can be divided according to their uses into two types, the first **is the lease contained on the benefits associated with the objects** (El-Sherbiny ,1997,10), so it is permissible to lease each eye from which the benefit can be collected while remaining (AlMardawi,1998,21). **It can be a lease on the** property from houses, shops and lands, and it can be a lease of offers, how much can be a lease on horses for riding and work, and **the second lease received on work**, and is divided into private wage and joint employee.

Termination and expiry of the lease: The lease is a contract necessary for the two parties that neither of them must rescind, as the principle is that the contract between the two parties continues until the end of its limited term in the contract, because of the sometimes annulment of the damage to one of the parties. However, there are impediments that may occur or arise that prevent the continued collection of the benefit from the contracted party or the occurrence of an impediment by the parties or an excuse and therefore the contract does not continue to be valid, including the termination of the lease by defect, the destruction

of the leased property, the death of one of the contractors, dismissal, and the sale of the property Leased, and annulment by excuse.

Ijara Ending with Ownership

The Ijara contract ending with ownership is one of the contemporary financial contracts that allow individuals and institutions to obtain assets without having to pay for them in full in advance, and this contract acquires special importance in Islamic banks, as it is in line with the jurisprudence controls of Islamic law and enhances the financing of projects and individuals.

Definition of Lease Ending With Ownership: The lease contract ending with ownership emerged from the financial leasing contract that the West has known since the last century, Revising the contract from a legal perspective to comply with Sharia principles for Islamic banking, distinguishing between lease ending in ownership and financial leasing outcomes, and structuring two separate contracts for lessor and lessee, the formula of lease ending with ownership begins first with a contract The second contract is a sale contract based on a binding promise, or a grant, Qahf (2000) suggests defining lease ending with ownership is challenging without first identifying its forms. It includes total rent payment during contract term, meeting price of leased property with desired rental return. Whether ownership transfers at lease end or in installments varies, the Islamic Fqih Academy (Islamic Fiqh Academy,1406AH,57) defines it as: a lease contract that includes an obligation from the lessor to grant the leased property after fulfilling all rent installments, and the closest definition to the description of lease ending with ownership as conducted by Islamic banks is the definition of the World Federation of Islamic Banks (Zaid,1996,24) "A financing method that combines the formula of sale and the formula of leasing, and is based on the agreement of two parties who sell one to the other a certain commodity and determine its value definitively, but this relationship does not cause its effects, so the ownership of the sold commodity is transferred to the new buyer directly, but the relationship between them remains governed by the rules of the lease contract until the buyer completes the payment of rental installments equivalent to the agreed value of the sale, at which time the ownership of the commodity is transferred to the buyer and he has full rights over it", and this definition is in line with Sharia controls, It separates the lease contract from the sale contract, meaning that the process takes place in two separate contracts, as the transfer of ownership of the commodity to the buyer takes place after the completion of the lease installments, and the word buyer indicates the transfer of the contract from a lease contract to a sale contract.

Researchers observe a lease ending with ownership, where known benefits are exchanged for rental payments over a specified period, with the option to purchase or transfer ownership. **The legal framework for leasing ending in ownership**

Ijara contracts ending with ownership are considered permissible according to Sharia fatwas, and studies have shown that these contracts adhere to the Sharia controls set by jurisprudence academies, and the Jordanian Department of Fatwa confirmed that the lease contract ending in ownership at Jordan Islamic Bank is compatible with Sharia, provided that the bank adheres to the terms of the contract (Fatwa Department, Jordan).

The Importance of Leasing Ending with Ownership

Economic importance: These contracts contribute to promoting economic development by providing financing; they allow individuals and companies to obtain assets without the need to freeze capital, and they also stimulate investments; they encourage individuals to invest money in new projects, which promotes economic growth, as well as they facilitate access to assets; It helps enable individuals to own assets such as cars and equipment without the need for traditional borrowing (Al-Masoudi,2024,71-88), and **at the level of countries**, it meets the economic needs, especially for countries where natural capabilities and human resources are available, with dwindling their own financial resources, and provides a great deal of speed of completion and establishment of projects, and contributes to improving the conditions of the balance of payments, and the trade balance, in addition to that the leasing method is a contribution from Islamic banks to rotate, move and circulate money.

Social Importance: Ijara contracts ending with ownership positively affect the community by increasing job opportunities; they support small and medium enterprises, and they also improve the standard of living by enabling individuals to obtain transportation and equipment necessary for their business, in addition to promoting financial literacy by teaching individuals how to deal with these types of financial contracts (Al-Masoudi,2024,71-88).

The Importance Of Leasing For The Lessor (Sultan,2005,456) & (Shawky, 2000): It gives him the opportunity to employ his money without being subjected to internal credit restrictions, as well as the presence of a strong guarantee that he has, as the leased asset is still on his ownership, so that he can recover it when needed, without the tenant's ability to dispose of it, or share his debtors when the lessee goes bankrupt, as well as benefit from some tax advantages, and allows him to expand the planning of his future revenues so that the lessor ensures the continuity of leasing until the end of the useful life of the asset, as well as the lessee bears some guarantees and risk and is considered a good way out To employ money without wasting it while obtaining profits, which is one of the most profitable types of long-term investments, and it also leads to attracting new customers so that the lessor guarantees the opportunity to provide other services to the tenant such as deposit accounts and other financial transactions.

The Importance of Leasing For The Lessee: The tenant tends to adopt the lease contract for several economic, financial and technological motives for businessmen and owners of economic institutions and investment projects, and the lease contract represents an easing of the financial burden on the ordinary consumer for the benefit, such as the beneficiary of the lease ending in ownership in the form of housing services, for example, while benefiting from **technological** considerations (Abu Alaa,2003,106) Which makes the tenant prefer to acquire equipment to benefit from it instead of buying it in order to avoid many of the risks of ownership and obsolescence of equipment technologically due to the rapid and significant progress in technology, so some leases allow the lessee to ask the lessor to replace equipment that has decreased in value with new equipment, as well as the financial and accounting considerations **that** consider the contract financing from outside the budget, the tenant gets the equipment without exhausting his liquidity to buy it, providing him with the opportunity to achieve other goals as a result of the savings achieved from Non-payment of the purchase amount at once, the lessee owns the assets economically without appearing on the asset side of the budget, the rental installments are credited as a current expense on the profit and loss account and the operating account does not bear any installments to depreciate the leased assets, but from **an economic point of view, the** lessee protects against the effects of inflation (Al-shahawi,2003,26), especially whenever the lease period is long, and the rent is specific and fixed, and on pre-agreed terms, while providing 100% full financing, which is not available in other financing reasons, works to reduce financial resources The tenant customer and directing it to other uses, and provides the company, in the event of expansion of its activity, the process of offering new shares or expanding the base of new partners and the incurring expenses that are indispensable, and provides the project with the opportunity to benefit from tax advantages, as the rent is deducted from the profits before tax, which makes leasing financing less expensive.

Images Of Ijara Ending in Ownership

There are many forms of the application of the lease ending with ownership, and there are few differences, some of which relate to the method of ownership and the image of the contract that will be completed after the end of the lease period on the following images:

The First Image (Al-Shazly,1988,2613): A lease contract with a promise of the grant of the leased property pending on the condition of payment of all rental installments, provided that the grant is a separate contract, if it is paid all the agreed rental installments and on time, and if he fails to pay even one installment, the ownership is not transferred to him because the condition is not met, and in **this image** a jurisprudential disagreement on two opinions, the first sees the invalidity of suspending the grant on condition, because it is the ownership of a certain in life, so it is not permissible to suspend it on a condition such as sale, if it is suspended, On a condition that was a promise, the second believes that it is permissible to comment on the appropriate and customary condition, which is a saying in the Hanafi school, and the opinion of the Maliki's as well, **and this image is applied in Jordanian Islamic banks.**

The Second Image (Shawky, 2000): a lease contract with a promise to sell the leased property for a symbolic or real amount paid by the lessee at the end of the period after paying all the agreed installments, and the ownership takes place after the lessee pays a certain amount symbolically or really, and this image is in fact a sale in installments to ensure the seller's right after fulfilling its price, which is in the form of installments that exceed the like, while exposing the buyer to the injustice of losing what corresponds to the eye from what he paid if the lease contract does not reach its end for any One of the reasons, it is a contract of sale from the beginning and not a lease contract (Hajj Muhammad ,2003,105).

The Third Image: a lease contract with a promise to sell the leased asset as soon as all the agreed due rental installments are paid, in which a specific asset is leased to the lessee by the lessor in specific rental installments at specific times, and the lessee owns the leased property after paying the last installment in it automatically, and thus he is considered the owner of the leased asset after completing the payment of all installments without the need for a new contract or obligation to pay another amount, and this image corresponds to financial leasing in its traditional form, and is considered Sale in installments to increase the installments for the price of the proverb, which is a cover rent for sale, in which the lease contract turns into a direct sale by terminating the last installment, and in this image the price has been paid in advance, and this image cannot be adopted because every sale must have a price, and here there is no price at the time of completion of the sale, that is, at the completion of the lease period, and what was paid was a rent, and this estimated rent for the commodity in the specified period is not the wage of the proverb, it is the price of the commodity With the addition of the agreed profit (Al-Shazly,1988,2613).

The Fourth Image: a gradual lease contract, in which at the end of each period the tenant buys part of the leased property and rents the remaining part and so on until the entire leased property is purchased, as some researchers look at this image (Qahef, 2000,7) as an alternative to other formulas with free of suspicions, Thus, a share of the leased asset is purchased by the lessee, and then a new lease contract is created for the remaining shares of the lessor, meaning that it is a new lease period for the benefit of the remaining part of the asset to the lessor and continues with each rental payment or an additional amount paid by the lessor, and when the rent is paid, the rent payment ends.

Other Images: The lease contract is concluded with the lessee given options at the end of the period specified in the contract (Khoja,1998,241), as follows: owning the leased thing after considering the amounts previously paid in the form of rental installments and comparing them with the prevailing market price and selling them to the lessee on this basis, or extending the lease period for another period or periods, or returning the leased property to its owner, and in this **form** All options agree to consider rental installments as a price for ownership for ownership, whether through symbolic sale, real price, or direct transfer of ownership, but taking into account Sharia controls, there must be two separate contracts from each other or a contract with a promise of ownership by the promisor (bank).

Researchers favor the fourth image (gradual lease contract) for its fairness, lack of deception (Gharar), and benefit for both parties, with the tenant owning part of the leased asset over time.

Challenges

Despite the many benefits of leasing ending in ownership, Islamic banks face some challenges, including compliance with Sharia regulations, as it requires a continuous commitment from banks to ensure that there are no Sharia caveats, as well as the issue of awareness and education, and actors need a comprehensive understanding of how these contracts work and their benefits.

Jordan Islamic Banks

Jordan Islamic Bank (<https://www.jordanislamicbank.com/ar>)

Jordan Islamic Bank was established as a public limited shareholding company in 1978. Its banking, investment and financing business commenced on September 22, 1979, with a paid-up capital of two million Jordanian dinars out of an authorized capital of four million JD After that, the bank underwent

legal amendments under the Banking Law No. (28) of 2000, which repealed the previous Law No. (13) of 2010, and in 2010 the bank joined Al Baraka Banking Group, which led to the modernization of its corporate identity and the launch of a new logo, The bank offers its Shariah-compliant banking services through 84 branches and 26 offices distributed throughout Jordan, and enjoys a distinguished position among conventional and Islamic banks, as it provides Shariah-compliant banking and investment services.

According to the information of the Securities Depository Center, the right to start business of the bank was on March 3, 1979, and the authorized and subscribed capital: 200,000,000 JD

Financial Performance: Net profit after tax for the years 2021, 2022 and 2023 respectively: 59,057,697 dinars, 60,300,000 dinars, 62,300,000 dinars

Islamic International Arab Bank (<https://iiabank.com.jo/>)

Islamic International Arab Bank was established as a public shareholding company (1997) under the Companies Law (1989). The Bank commenced its Shari'a compliant banking business in 1998.

According to the information of the Securities Depository Center, the right to start business of the bank was on October 7, 1997, and the authorized and subscribed capital: 100,000,000 JD

Financial Performance: Net profit after tax for the years 2021, 2022 and 2023 respectively: 33,717,746 dinars, 34,500,000 dinars, 34,000,000 dinars.

Safwa Islamic Bank (<https://www.safwabank.com/>)

Jordan Dubai Islamic Bank, now known as Safwa Islamic Bank, commenced operations on January 17, 2010, compliant with the provisions of Islamic Sharia and the instructions of the Central Bank of Jordan. It was first registered in the Companies Register on June 23, 1963, succeeding the Industrial Development Bank, which was abolished by the Industrial Development Bank Abolition Law No. (26) of 2008, and on May 17, 2017, the name of the bank was changed to Safwa Islamic Bank, where it became a public joint stock company licensed by the Central Bank. Jordanian for Doing Business and Islamic Banking. The bank offers its financial services through 40 branches.

According to the information of the Securities Depository Center, the bank had the right to start operating on 1965, and the authorized and subscribed capital was: 100,000,000 JD

Financial Performance: Net profit after tax for the years 2021, 2022 and 2023 respectively: 14,060,320 dinars, 14,900,000 dinars, 15,200,000 dinars.

Al Rajhi Bank (Jordan Branch) (<https://www.alrajhibank.com.jo/ar/personal/about-us>)

Al Rajhi Bank (Jordan Branch) was opened at the end of March 2011, and Al Rajhi Bank is among the foreign banks operating in Jordan, and provides its services in the Jordanian market to both individuals and companies through a large number of branches and ATMs in most regions, Al Rajhi Bank was established in the Kingdom of Saudi Arabia In 1957, it is one of the largest banks in the world by market capitalization and the largest in the Middle East and Saudi Arabia, with total assets of SAR 776 billion, paid-up capital of SAR 40 billion (USD 10.66 billion), and an employee base of more than 20,000 employees, with more than 60 years of experience in banking and commercial activities, various individual institutions bearing the name of Al Rajhi were merged into the umbrella of "Al Rajhi Trading and Exchange Establishment" in 1978, In 1988, the bank was established as a Saudi joint stock company under the name of Al Rajhi Banking and Investment Company, which was later renamed in 2006 as Al Rajhi Bank. The Shariah-compliant banking group is deeply rooted in the principles of Islamic banking and plays a key role in bridging the gap between modern financial requirements and the core values of Islamic Sharia.

Financial Performance: Net profit after tax for 2021, 2022 and 2023 respectively: **N/A**

Comparison and Analysis

- *Ijara Return Rate:* Ijara return rates vary greatly between banks, due to the different nature of calculating the return between them, as Jordan Islamic Bank deals with the flat rate method, meaning that the return is calculated on the amount of the basic financing and fixed throughout the life of the contract, while Al Rajhi Bank and Islamic International Arab Bank deal with the principle of decreasing return on an annual basis, while Safwa Islamic Bank provides the two types of methods for calculating the fixed and decreasing lease return. The fixed return method in this study since the bank in the method of calculating the variable return fixes the declining Ijara return for a period of three years only and then is subject to adjustment according to market prices after the fixation period, while the fixed return method offered by Safwa Islamic Bank is fixed for a period of 10 years. To standardize the basis of comparison between banks, rates of return have been adopted that are commensurate with the periods of fixation and non-adjustment in the short term to reach meaningful indications from the comparison process.
- *Fixed Yield:* Jordan Islamic Bank offers a long-term fixed rate, while Al Rajhi Bank, Islamic International Arab Bank and Safwa Islamic Bank offer a fixed rate for 10 years and then subject to adjustment.
- *Exchange Insurance Amount:* The mutual insurance amount varies greatly between banks, as Jordan Islamic Bank charges the customer the value of the mutual insurance at a rate of 0.5% of the value of the basic amount annually and throughout the contract period and adds it to the rental installment, while Al-Rajhi Bank charged the customer a lump sum monthly of 10 dinars added to the rental installment in the event that the reducing balance is greater than 50 thousand dinars and an amount of 5 dinars is added to the rental installment in the event that the reducing balance of the lease contract reaches Less than 50 thousand dinars.
 - *Administrative Fees:* Islamic International Arab Bank and Al Rajhi Bank collect administrative fees such as execution transaction fees and postage fees paid by the customer in advance while the other two banks do not charge any administrative fees to customers.
 - *Grant Commission:* Al Rajhi Bank and Safwa Bank collect a grant commission of 1% of the principal amount of the financing for the first year only, while the other two banks do not collect any additional commissions.
 - *Internal Rate of Return (IRR):* Safwa Islamic Bank is the highest in terms of internal rate of return, while Jordan Islamic Bank is the lowest.
 - *The Possibility Of Early Repayment With Deduction From The Remaining Returns:* **The** Islamic Bank does not allow early repayment against exempting the customer from part of the remaining Ijara return amount, as the value of the Ijara contract is fixed at the value of the principal amount plus the return, while the remaining banks allow the possibility of early repayment of the lease balance on the date of payment against an early payment commission of 1% of the remaining balance of the principal amount.

*Pros, Cons and Common Factors**Positives:*

Common Advantages: The impact of environmental challenges on returns has made banks' credibility a major problem (Zakarneh, 2022), As a result:

all Islamic banks demonstrate a strong commitment to providing Sharia-compliant products, offer flexibility in financing terms, and allow early principal payment. The majority of the banks in the study sample also

benefit from cost reduction if the lessee has additional surplus funds. Finally, all Islamic banks provide an Ijara product that ends with ownership with flexible conditions.

Negatives

- *Common Drawbacks:* There are additional fees and charges that increase the cost of financing, and the variable return system makes it difficult to plan.
- Significant variation in terms between banks, making comparison difficult for the customer.
- The presence of additional fees in some banks.

Common Factors

- All banks offer Ijara to Own product.
- All banks grant long-term lease-to-own contracts commensurate with the age of the leased asset, considering the age of the lessee at the beginning of the contract.
- All banks impose cross-insurance.

Conclusions

- Through data analysis, the Ijara to-own product in Jordan Islamic banks varies significantly in terms of terms and benefits. Although there are some positives, more standardization and transparency are needed in the delivery of this product. Customers should compare different offers carefully before choosing the right bank.
- **Note:** This report is based on data currently available, and this data may change in the future.

To Improve This Report, You Can Add

- **Deeper analysis:** A deeper analysis of the data can be performed to include other factors such as grace period, down payment percentage, and others.
- **Comparison with other banks:** The results of this study can be compared with similar studies conducted on Islamic banks in other countries.
- **Customer reviews:** A customer opinion survey can be conducted about this product to see how satisfied they are with it.

The Most Important Results and Comparison Between Banks

Return on Ijara Rate

- **Common Factor:** Most banks follow a variable rate of return on Ijara system, which is adjusted to market rates after a specified period.
- **Variation:** Initial rates of return and duration of stability before adjustment varied between banks, reflecting differences in pricing and competitiveness policies.

1. **Nature of the return on Ijara:**

- **Common Factor:** Most banks follow a decreasing system of return on leasing.

- *Difference:* Jordan Islamic Bank offers a fixed system of return on Ijara, which may appeal to a certain category of customers who prefer to settle on payments.

Lease Term

- *Common Factor:* There is flexibility among all banks with regard to determining the duration of the lease contract based on the type of leased asset, the age of the lessee, the value of the down payment and the value of the rent installment based on the debt burden ratio (DBR (the ratio of the rental premium to the net cash value of the monthly income of the lessee) adopted in the credit policy of each bank.

Fees and Charges

- *Common Factor:* All banks charge additional fees and expenses such as real estate appraisal fees, assignment fees, stamp fees, and some impose grant commission, administrative fees and postage fees.
- *Variation:* The values of these fees and charges varied between banks, affecting the total cost of financing.

Possibility of Early Repayment

- *Common Factor:* All banks allow early repayment with the application of a commission except Jordan Islamic Bank.

Mutual Insurance

- *Common Factor:* All banks imposes mutual insurance.
- *Variation:* The reciprocal insurance ratio and the monthly premium value varied between banks. Some banks carry the value of the reciprocal insurance premium to the customer and others are at the expense of the lessor bank.

Recommendations

Comprehensive Comparison: Customers are advised to make a comprehensive comparison between different banks' offerings before making a lease decision, focusing on the total cost ratio and not just the initial return imposed by the banks.

Negotiation: Customers can negotiate with banks for better terms, especially regarding fees, charges and early settlement commission.

Awareness Of the Terms: Customers should read the terms of the contract carefully before signing and ensure that they understand all aspects related to the lease-to-own.

Financial Planning: Customers must develop a well-thought-out financial plan before requesting financing, and ensure their ability to pay the installments regularly, considering the possibility of adjusting the rental return and thus the value of the rental installment in the future according to market prices.

Diversification Of Banking Products: Banks are advised to develop various Ijara products to meet the needs of different customer segments, with a focus on simplifying procedures and reducing administrative burdens on customers.

Application Of the Fourth Form of Transfer of Ownership (Gradual Lease Contract): This is because it achieves justice for the parties to the contract and is free from Deception (Gharar) against the tenant.

Analysis Conclusion

Ijara to own product is a popular product in Jordanian Islamic banks, and each bank has its own offers that differ in detail. Customers should choose the bank that best suits their financial needs and capabilities, considering all the factors that affect the cost of financing.

The following analysis is a hypothetical lease-to-own contract for a value of 10,000 Jordanian dinars for a period of 20 years.

Bank Name	Safwa Islamic Bank	Islamic International Arab Bank	Al Rajhi Bank	Jordan Islamic Bank
Ijara Return Rate	6%	8.50%	8.30%	4.25%
The nature of the lease return	constant	Decreasing	Decreasing	constant
The extent of the stability of the Ijara return	Fixed throughout the contract period	Fixed for 10 years	Fixed for 10 years	Fixed throughout the contract period
Mutual Insurance	On bank account	On bank account	10 dinars to be added to the monthly installment if the balance is greater than 50,000 dinars and 5 dinars for lower amounts	0.5% of the finance amount for the full contract period
Exchange security deposit	0	0	2020	10000
Other expenses	There isn't any	Lump sum administrative fee of 150 JD	Lump sum postage fees of 75 dinars	There isn't any
One-time grant commission	1% of the value of the granted financing of JOD 1000	0	1% of the value of the granted financing of JOD 1000	0
Legal Stamp Fees	0.3% of the finance amount and the value of JOD 305	0.3% on finance amount + first year Murabaha with a value of JOD 332	0.3% on finance amount + first year Murabaha with a value of JOD 332	0.3% of the finance value + Ijara return for JOD 590
Real Estate Appraisal Fees	100	100	100	100
Property Assignment Fees in the Name of the Bank	At the expense of the client according to the laws of the Department of Lands and Survey	At the expense of the client according to the laws of the Department of Lands and Survey	At the expense of the client according to the laws of the Department of Lands and Survey	At the expense of the client according to the laws of the Department of Lands and Survey
Possibility of early repayment	Available with early settlement commission of 1% of remaining balance	Available with early settlement commission of 1% of the remaining balance at the end of each year	Available with early settlement commission of 1% of the remaining balance at the end of each year	Not available

Reviews	Decreasing by 6.75% and fixed for 3 years after which subject to market adjustment	Ijara yield is fixed for 10 years (subject to adjustment according to market prices)	Ijara yield is fixed for 10 years (subject to adjustment according to market prices)	Ijara return is fixed throughout the contract period
Applied image	First: Grant	First: Grant	First: Grant	First: Grant
Internal rate of return for leasing according to the data of each bank	9.4048%	8.6839%	8.5945%	7.6127%

Results of the Study

Internal Rate of Return (IRR):

- Jordan Islamic Bank: 7.6127%
- Safwa Islamic Bank: 9.4048%
- Al Rajhi Bank: 8.5945%
- Islamic International Arab Bank: 8.6839%

Recommendations

For banks:

- Unifying the conditions and standards for the Ijara product ending with ownership.
- Increase transparency in the presentation of terms and fees.
- Provide competitive offers to attract customers.

For customers:

- Compare the offers of different banks before deciding.
- Read the terms and contracts carefully before signing.

Inquire about any unclear details from the bank staff.

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