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Article

The Impact Of Islamic Financing Products On Islamic Banks Profitability: Case Of Al Rayan Bank (Qatar)

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ABSTRACT - This study aims to determine the effect of Islamic financing products on the Islamic bank's profitability of Al Rayan Islamic Bank. This research uses quarterly data from Al Rayan Bank for 2011Q1-2023Q1. The variables used in this study are independent, *Musharaka*, *Murabaha*, *Istisnaa* and *Ijarah* financing. Meanwhile, the dependent variable of the Islamic bank's profitability is measured by Return on Equity (ROE). The study employed the Autoregressive Distributed Lag (ARDL) Model to analyse the variables' short- and long-term relationships. The data collected were analysed using EViews10 software. ARDL bounds test findings suggest a cointegration relationship between bank profitability and Islamic financing product variables in the long run. The results of the long-run analysis reveal that *Musharaka* financing has a positive and significant effect on ROE at the 5% level. However, *Murabaha* financing has a negative and significant effect on ROE. At the same time, the *Istisnaa* and *Ijarah* variables have no significant effect on ROE. The short-run dynamics demonstrate a negative and significant effect of *Murabaha* and *Ijarah* financing on the Islamic bank's profitability. In addition, the lagged value of *Murabaha* LMUR (-1) has a positive and significant effect on the profitability index of the Islamic bank. Simultaneously, there is no relationship between *Musharaka* and *Istisnaa* and their effect on the profitability of Islamic banks in the short term.

INTRODUCTION

It is known that profit maximisation is the objective of the highest priority for all investment institutions created by private individuals. Consequently, all private sector financing institutions have one fundamental objective: to maximise profit.

The role of the banking system is to provide financing and facilitate the flow of financial resources between surplus units (savers) and deficit units (borrowers). Note that traditional banks and Islamic Banks are equal in this task. However, the latter differs from traditional banks in the legal controls and the socio-religious guidelines that forbid and prohibit all impermissible transactions like charging and paying *Riba* (usury-interest) and gambling, short selling, speculation and sale of debts.

According to Vegirawati, Susetyo, Meutia and Fuadah (2019), Islamic banks adhere to Shariah principles in their business activities, prohibiting the interest or usury system and avoiding unethical practices in the economy.

There are two main types of products in Islamic banking: the first is based on the principle of Profit-Loss Sharing (PLS), such as *Musharaka* (participation) and *Mudaraba*. Meanwhile, the second is based on sale and debt products, such as *Murabaha*, along with *Ijarah* (leasing) and *EL salam sale*. One of the main objectives of Islamic banks as economic institutions conducting operational activities is to seek profitability. The greater the volume of financing transactions in Islamic banks, the greater the profit margins they will receive, affecting their financial performance.

The Islamic banking industry in Qatar includes four Islamic banks: Qatar Islamic Bank (QIB), Qatar International Islamic Bank (QIIB), Barwa Bank and Al Rayan Bank. These banks are crucial in the banking sector and the country's economy.

In this study, Al Rayan Islamic Bank was selected as a case study since it is the only Qatari bank that provides data on the financing volume for various Islamic banking products in its financial statements during the study period. Therefore, the main objective of this research is to examine the effect of Islamic banking products (financing formulas) on the profitability of Al Rayan Islamic Bank.

BACKGROUND
Al Rayan Bank Overview
Al Rayan Bank is a Qatar-based Islamic bank providing Qatar's financial, banking, investment and brokerage services. The bank was established in 2006. Al Rayan Bank is one of the largest Islamic banks in Qatar. Its structure comprises three main divisions: Retail Banking, Private Banking and Wholesale Banking.

In 2022, Al Rayan Bank achieved total assets of QAR 167.5 billion, customer deposits of QAR 97 billion, and financing Assets of 117.8 billion (Masraf Al Rayan, 2022). In terms of financial performance, Al Rayan Bank achieved a net profit of QAR 1,344 million in 2022. Earnings Per Share (EPS) for 2022 is QAR 0.14 (Masraf Al Rayan, 2022).

Islamic Banking Products
Six main contracts are primarily used in Islamic banking:

Musharaka financing
Musharaka financing is a collaboration of investing funds or goods between two or more partners to run certain businesses by Shariah with the distribution of profits between the partners based on an agreed ratio. Meanwhile, the losses will be divided according to how much capital each party contributes.

Mudaraba financing
The contract of *Mudaraba* is a cooperation between two parties in which the first (*Rab al maal*) provides the capital. At the same time, the other is the worker (*El Mudarib*), who is capable of managing a project (Syahri & Harjito, 2020). The profit obtained is divided according to the pre-determined agreement, whilst the loss is borne by the capital provider (*Rab al maal*) as long as the loss is not a result of negligence on *Mudarib's* part. If the loss is caused by negligence of the *Mudarib*, the latter must be responsible for the loss (Tjoteng et al, 2022).

From the explanation above, there is a difference in terms of business management, capital distribution, and profit-sharing between *Musharaka*'s and *Mudaraba*'s financing. In *Mudaraba*, the Islamic bank contributes all the capital. At the same time, the other party (the partner) is the manager who runs the project, and profits are divided according to the pre-determined agreement. On the other hand, in *Musharaka* financing, the Islamic bank and the bank customer will contribute

capital and cooperate in managing the business together. The profits and losses are divided according to the PLS Principle.

Murabaha financing
Murabaha is a kind of sale in which the seller discloses the purchase price to the buyer and then adds a profit margin on the purchase price and sells it to the buyer. The profit margin can be a lump sum amount or a percentage of the total cost (Atal et.al, 2020).

Murabaha is a "cost plus markup" sale contract often used as working capital to finance goods required (Morsid & Abdullah, 2014). There are two types of *Murabaha* sale. If there is no early promise to buy from a customer, then it is called an ordinary *Murabaha* (a simple *Murabaha*). However, if the customer promises the Islamic bank that he will buy the commodity after the bank owns it, then it is called *Murabaha* to purchase (a banking *Murabaha*). According to Khan (2011), *Murabaha* is the most popular method of financing compared to other Islamic financial products.

EL salam financing
EL salam sale is a forward agreement where spot payment from the buyer in exchange for delivery occurs at a future date from the seller. It is necessary for *EL salam* sale that the buyer pays the price in full at the time of initiating the contract. The price, quantity, date and place of delivery should be precisely specified in the contract (Hussain, et al, 2015).

Istisnaa financing
In an *Istisnaa* sale, the seller (producer or manufacturer) undertakes to manufacture or construct assets, with an obligation from the seller to deliver them to the buyer (customer) upon completion. There are two main differences between *Istisnaa*'s and *EL salam*'s contracts.
- In the *Istisnaa* contract, we can sell only manufactured goods. Meanwhile, in *EL salam* sale, we can sell standardised goods;
- Unlike *EL salam* sale, *Istisnaa* allows for spot, deferred or instalment payments.

We can apply the *Istisnaa* contract in infrastructure projects, for example, the construction of factories, roads, schools, power plants, hospitals and buildings.

Ijarah financing
Ijarah financing in an Islamic bank is a contract meant to transfer the usufruct of an asset from an Islamic bank to the customer for an agreed period, at an agreed consideration called *Ujrah* (rent).

There are two types of *Ijarah* in Islamic banks: operational lease and financial lease (*Ijarah Muntahia Bittamleek*). In the *Ijarah Muntahia Bittamleek*, the ownership of the leased asset can be transferred to the lessee through a separate unconditional contract in one of the following ways (Vejzagic, 2014):
- gift (*hiba* contract);
- token consideration or other amount as specified in the lease;
- transfer prior to the end of a lease for a price equivalent to the remaining *Ijarah* instalments;
- a gradual transfer of the legal title.

Profitability of Banks
Profitability is considered an indicator to measure the financial performance of a company. It is also considered one of the tools used to assess management performance in earning profit from the bank's operation (Tjoteng et al., 2022). The financing of the bank's operational activity is effective in earning profit by reflecting on the profitability ratio.

High profitability indicates a positive and good financial performance of the bank. In contrast, if it is low, this indicates that the bank's financial performance is not optimal, and this

could affect the bank's image in society, which will reduce people's confidence in it (Tjoteng et al., 2022). Typically, the profit rate of a bank is determined by the profit, yield, or return on a given sum of money.

According to many previous studies, banks' profitability is measured by Return on Equity (ROE), Return on Assets (ROA), Net Profit Margin (NPM) or EPS (Masnah & Hendrawati, 2020; Ismawati et al., 2021). In this study, the authors used only one indicator, namely the ROE ratio, as a dependent variable to measure the profitability of Islamic banks. Some works of literature indicate that ROE better describes the bank's profitability. Kennedy (2019) defines ROE as "the ratio used to measure the ability of a company's capital to generate profits for all shareholders."

According to Sukmawati and Garsela (2016), ROE is an important financial ratio for equity investors, and it is a powerful measure of how well the management of a company creates value for its shareholders. Note that the ROE of banks is influenced by the level of financial leverage and ROA of banks (equity/assets) (Sufian, 2007). We use the ROE ratio to indicate the efficiency of the bank's management in the use of equity. The formula for calculating the ROE is as follows:

$$ROE = \frac{nett\ profit\ after\ tax}{stock\ holder\ equity} \times 100$$

LITERATURE REVIEW

Masnah and Hendrawati (2020) mentioned in their research that *Musharaka* financing positively and significantly affects the profitability level of Indonesian Islamic Banks, while *Murabaha* financing has a negative and significant influence on profitability. The same is the result of the research of Tjoteng et al. (2022), which stated that simultaneously, *Musharaka* financing has a positive and significant effect on profitability, and *Murabaha* financing has a negative and significant effect on profitability. Conversely, research conducted by Sari and Maharani (2022) and Ismawati et al., (2021) suggested that *Musharaka* financing has a negative and significant effect on profitability and *Murabahah* financing has a positive and significant effect on profitability, while *Ijarah* financing has no significant effect on profitability.

On the other hand, Afrizal et al., (2023), Jaurino and Wulandari (2017) and Manaseer and Alslehat (2016), in their research, discovered that *Murabaha* financing has a positive and significant effect on profitability, while *Musharaka* financing does not affect on the profitability. According to the research findings of Rumaishaa and Zamzami (2022), *Istisnaa* financing did not affect profitability. Table 1 summarises the previous studies.

Table 1: Summary of the literature review

References	Area	Period	Methodology	Findings
(Manaseer & Alslehat, 2016)	Jordanian Islamic banks	2006-2014	Multiple Linear Regression Analysis	*Murabaha* financing has a positive and significant effect on the profitability of the local Islamic banking sector in Jordan.
(Jaurino & Wulandari, 2017)	Indonesian Islamic Banks	2013-2015	SEM-PLS	*Musharaka* financing does not affect profitability.
(Masnah & Hendrawati, 2020)	Indonesian Islamic Banks	2014-2019	multiple regression analysis	*Musharaka* has a positive and significant influence on profitability. *Murabaha* has a significant and negative influence on profitability.
(Syahri & Harjito, 2020)	Indonesian Islamic Banks	2012-2016	Multiple Linear Regression analysis	*Musharaka* has a negative and significant effect on profitability, and *Musharaka* simultaneously significantly influences the level of profitability.

(Ismawati et al., 2021)	Indonesian Islamic Banks	2013-2019	Multiple Linear Regression Analysis	*Murabaha* financing has a negative and significant effect on profitability.
(Sari & Maharani, 2022)	Indonesian Islamic Banks	2016-2020	Moderated Analysis Regression (MRA)	*Murabaha* financing has a positive and significant effect on profitability, *Musharaka* financing has a negative and significant effect on profitability, and *Ijarah* financing has no significant effect on profitability.
(Tjoteng et al., 2022)	Indonesian Islamic Banks	2020-2021	Multiple Linear Regression Analysis	*Musharaka* financing has a positive and significant effect on profitability.
(Rumaishaa & Zamzami, 2022)	Indonesian Islamic Banks	2018-2020	Panel Data Regression Analysis	*Murabaha* financing had a positive effect on the profitability, while Istisnaa Financing had no effect on the profitability.
(Afrizal et al., 2023)	Indonesian Islamic Banks	2010-2019	Panel Data Regression Analysis	*Musharaka* financing does not affect profitability, while *Murabaha* financing has a positive and significant effect on profitability.

Critical and Research Gap

All the previous literature we referred to relates to the research question and its objectives. However, most previous studies dealt with Indonesian Islamic banks and did not deal with the experience of Islamic banks in Qatar. Consequently, this formed a spatial and empirical research gap that we tried to fill.

METHODOLOGY
Design Research
Upon the literature review, we build the following research model as depicted in Figure 1.
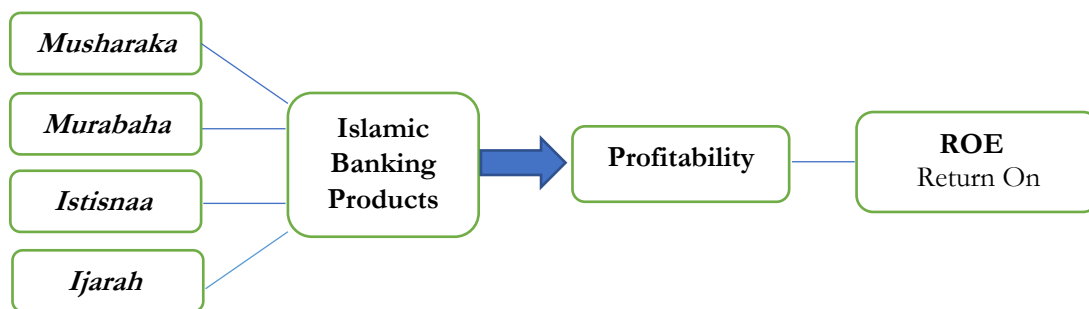

Figure 1: The proposed research model

The independent variables in this study are *Musharaka*, *Murabaha*, *Istisnaa* and *Ijarah* financing. The dependent variable is ROE, and the descriptions of the variables are summarised in Table 2.

Table 2: Description of dependent and explanatory variables in the model

N	Variable symbol	The name of influence factors	Measurement criteria
Dependent variables (Profitability)	ROE	Return On Equity	$ROE = \dfrac{NET\ INCOME}{SHAREHOLDER\ EQUITY}$
Independent variables (Islamic Financing Formulas)	MUSH	*Musharaka*	Total *Musharaka* financing amount
	MURA	*Murabaha*	Total *Murabaha* financing amount
	ISTI	*Istisnaa*	Total *Istisnaa* financing amount
	IJAR	*Ijarah*	Total *Ijarah* financing amount

The authors adopt the following hypotheses for the Research model:

H_1: There is a significant impact of *Musharaka* on the Profitability of Al Rayan Islamic Bank;
H_2: There is a significant impact of *Murabaha* on the Profitability of Al Rayan Islamic Bank;
H_3: There is a significant impact of *Istisnaa* on the Profitability of Al Rayan Islamic Bank;
H_4: There is a significant impact of *Ijarah* on the Profitability of Al Rayan Islamic Bank.

Data Collection and Processing
Instruments for Data Collection
This study utilises a series of quarterly observations from Al Rayan Islamic Bank's income statements and balance sheets beginning from the 1st quarter of 2011 until the 1st quarter of 2023.

Survey Population and Rationale
The study population consists of Islamic banks operating in Qatar country. The study sample includes Al Rayan Bank (Masraf Al Rayan, 2022).

Al Rayan Bank was incorporated as a Qatari Shareholding Company on 4 January 2006 with a fully paid-up capital of USD 2.6 bn. Note that Al Rayan Bank is engaged in banking and financing activities through its 17 branches in conformity with the principles of Islamic Shariah Laws (Masraf Al Rayan, 2023).

RESULT
Stationarity tests
The unit root test was performed at level and first difference. The results of unit root tests in Table 3 indicate that, according to the Augmented Dickey-Fuller (ADF) test, all variables series have unit root problems at a level. In contrast, after making the first differences, the series became stationarity (integrated of order one I (1), either with a Constant or With Constant & Trend or Without Constant & Trend).

Table 3: Augmented Dickey-Fuller unit-root test results

	At Level					At First Difference				
	LIST	LIJA	LMURA	LMUSH	LROE	LIST	LIJA	LMURA	LMUSH	LROE
With Constant	-11.9130	-2.7868	-1.0575	-1.4294	-2.3495	-17.1802	-5.7529	-5.6754	-9.2579	-5.0873
	0.0000	0.0685	0.7238	0.5589	0.1618	0.0000	0.0000	0.0000	0.0000	0.0001
With Constant& Trend	-10.8942	-1.0899	-2.3527	-2.2777	-2.8138	-17.1402	-6.4749	-5.7868	-9.2165	-4.8300
	0.0000	0.9190	0.3980	0.4365	0.2004	0.0000	0.0000	0.0001	0.0000	0.0018
Without Constant & Trend	0.5597	3.6424	2.6906	0.8274	0.5777	-17.6067	-4.5997	-5.6836	-9.1571	-4.0680
	0.8332	0.9999	0.9978	0.8864	0.8373	0.0000	0.0000	0.0000	0.0000	0.0001
The Result	Non-stationarity					Stationary				

ARDL Approach to Cointegration

In order to test the long-run relationship between the variables under study, we adopted the Autoregressive Distributed Lag (ARDL) approach to cointegration analysis, which was developed by Pesaran (1997).

The ARDL test is distinguished from other cointegration tests (such as Engle & Granger, 1987; and Johansen, 1988) in that it can be applied whether that time series is integrated of order one I(1) or I(0). Here, the Johansen cointegration test requires that all-time series be of equal order of integration. Hence, the ARDL procedure is more valid and reliable for small samples (Menegaki, 2019; Bhatta et al., 2020).

Prior to the estimation of the ARDL model, the determination of the best number of lags for all variables is necessary.
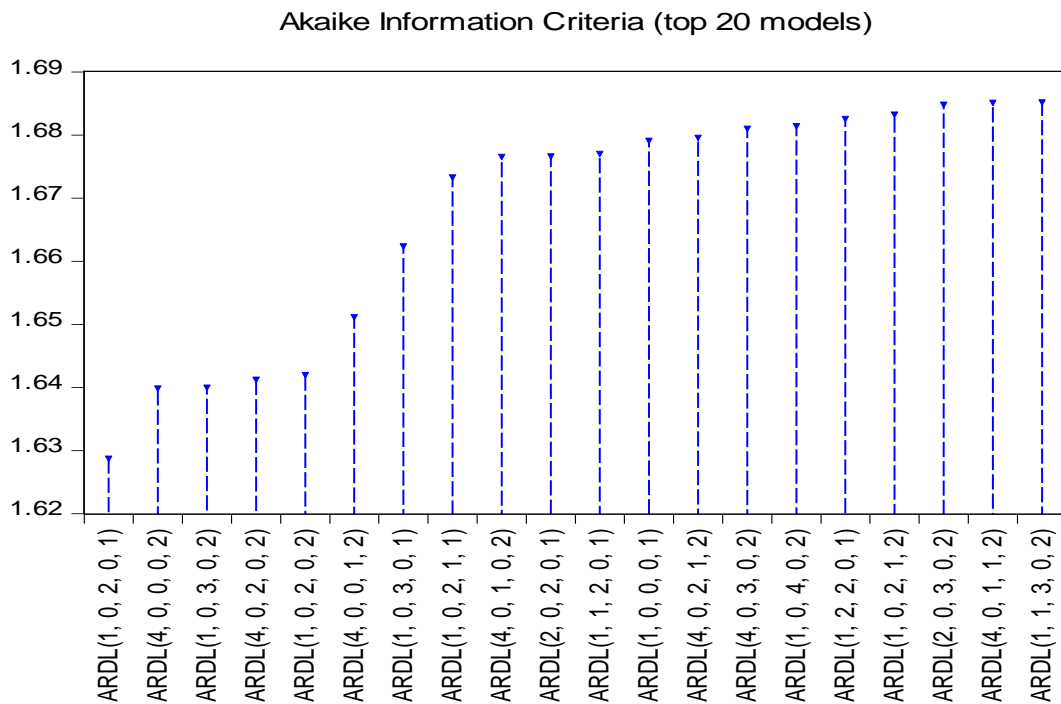

Figure 2: Results of the Akaike Information Criterion (AIC)

As displayed in Figure 2, the results of the Akaike Information Criterion (AIC) indicate that the best model is ARDL (1.0.2.0.1), and it can be written as follows:

$$\Delta LROE = C + \beta_1 LROE_{t-1} + \beta_2 LMUSH_t + \beta_3 LMURA_t + \beta_4 LMURA_{t-1} + \beta_5 LMURA_{t-2} + \beta_6 LIST_t + \beta_7 LIJA_t + \beta_8 LIJA_{t-1} + \pi_1 LROE_{t-1} + \pi_2 LMUSH_{t-1} + \pi_3 LMURA_{t-1} + \pi_4 LIST_{t-1} + \pi_5 LIJA_{t-1} + \varepsilon_t,$$

where
- Δ: is the first difference operator;
- ε : is the white noise residuals;
- $(\pi_1, \pi_2 \dots \pi_5)$: represents the long-run parameters;
- $(\beta_1, \beta_2 \dots \beta_9)$: represents the short-run dynamic of the model.

The ARDL Bound Test

Table 4 presents the results from the ARDL Bound Test used to check the presence of a long-run relationship between Islamic banking products and profitability (LROE). The computed F-statistics value (F-statistic = 9.470961) is greater than the appropriate upper bound of the critical value at all significance levels (1%, 2.5%, 5%, 10%). Thus, the null hypothesis of no cointegration is rejected, meaning cointegration exists. This indicates a long-run equilibrium relationship between the dependent variable (LROE) and the independent variables (Islamic financing formulas).

Table 4: ARDL bound test results

F-Bounds Test		Null Hypothesis: No levels of relationship		
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
		Asymptotic: n = 1000		
F-statistic	9.470961	10%	2.2	3.09
k	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

ARDL Error Correction Model

The Error Correction Model (ECM) results are more reliable as a test of the cointegration relationship (Bhatta et al., 2020).

As presented in Table 5, the results from the ECM suggest that the coefficient of the Error Correction Term (ECT) (CointEq(-1) = -1.539987) is negative and statistically significant at a 1% level, supporting the presence of cointegration. This indicates a rapid speed of the adjustment back to the long-run equilibrium after a short-run shock.

Table 5: ARDL error correction model results

Variable	Coefficient	Std. Error	t-Statistic	Prob
CointEq(-1)*	-1.539987	0.190375	-8.089236	0.0000
R-squared				0.746416
Adjusted R-squared				0.726396
Durbin-Watson stat				2.092739

Model estimation

After confirming that the research variables are cointegrated, we can now estimate the model.

Long-run model

We estimated the long-run relationship between the variables, and the results are illustrated in the table below.

Table 6: The long-run results

Dependent variable (LROE)			
Independent variables	**Coefficient**	**t-Statistic**	**Prob.**
LMUSH	0.317005	3.512685	0.0013
LMURA	-3.691185	-4.183884	0.0002
LIST	0.346686	1.165985	0.2520
LIJA	0.201897	1.026167	0.3123
C	30.20511	4.140826	0.0002

Table 6 summarises the results of the long-run relationship between Islamic financing formulas and profitability, which is measured by the ROE ratio. The long run coefficient of *Musharaka* financing (Mush) amounted to 0.317005, and prob. 0.0013 < 0.05, meaning that there is a positive and significant effect at (1%) of (Mush) on Islamic bank profitability and if there is an increase in Musharaka financing by 1%, it will lead to an increase of ROE by 0.31%. This finding is similar to previous studies (Tjoteng et al., 2022; Masnah & Hendrawati, 2020), which proved the positive impact of *Musharaka* financing on the profitability of Indonesian Islamic banks.

On the other hand, the *Murabaha* financing coefficient exhibits a value of -3.691185 and prob. 0.0002 < 0.005. Therefore, it can be concluded that the *Murabaha* (Mura) has a negative and significant effect on ROE. This means that an increase in *Murabaha* financing by 1% will lead to a decrease in Islamic banks' profitability by 3.69% in the long term. This finding is similar to previous studies (Ismawati et al., 2021; Tjoteng et al., 2022; Masnah & Hendrawati, 2020) which proved the negative impact of *Murabaha* financing on the profitability of Indonesian Islamic banks.

The *Istisnaa* financing variable indicates a coefficient value of 0.346686 and prob. 0.2520 > 0.005. Hence, it can be concluded that the *Istisnaa* does not have a statistically significant effect on Islamic banks' profitability. This result reflects previous studies (Rumaishaa & Zamzami, 2022). This may be due to the public's lack of knowledge of the *Istisnaa* financing method.

The *Ijarah* financing variable exhibits a coefficient value of 0.201897 and prob. 0.3123 > 0.005. Consequently, it can be concluded that the *Ijarah* financing does not have a statistically significant effect on ROE. This result reflects previous studies (Sari & Maharani, 2022).

Short-run model

We estimated the ECM to know the short-run relationship between variables, and the results are in the following table.

Table 7: Short-run results

ECM Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LMUR)	-6.431754	0.840957	-7.648134	0.0000
D(LMUR(-1))	3.292999	1.415155	2.326953	0.0263
D(LIJA)	-1.703175	0.782578	-2.176364	0.0368
CointEq(-1)*	-1.539987	0.190375	-8.089236	0.0000

The results of the short-run relationship indicate a negative and significant effect of the *Murabaha* financing (LMUR) on the profitability of the Islamic bank. The coefficient of LMUR indicates that an increase in *Murabaha* financing by 1% will lead to a decrease in Islamic bank profitability by 6.43%. This finding is similar to previous studies (Ismawati et al., 2021; Tjoteng et al., 2022; Masnah & Hendrawati, 2020).

The coefficients of the first lag of *Murabaha* financing (LMUR(-1)) indicate that there is a positive and significant effect of the *Murabaha* financing on the profitability of the Islamic bank, and the increase in *Murabaha* financing by 1% will lead to an increase in the Islamic bank profitability by 3.29%. This finding is similar to previous studies (Manaseer & Alslehat, 2016; Sari & Maharani, 2022; Afrizal et al., 2023; Rumaishaa & Zamzami, 2022).

Diagnostic test results

To investigate if the estimated model above is reliable, we applied some diagnostic tests, and the results are provided in the table below.

Table 8: Diagnostic test results

Test	Statistical	Value	Probability
Breusch-Godfrey Serial Correlation L	F-statistic	1.043644	0.3642
	Chi-Square	2.649540	0.2659
Normality	Jarque-Bera	3.961774	0.137947
Heteroskedasticity Test: ARCH	F-statistic	0.014465	0.9049
	Chi-Square	0.015201	0.9019

The table indicates the results of the diagnostic tests of the model. We note that all probabilities exceed 0.05. Thus, we accept the null hypotheses (H0) in all tests at a 5% level of significance, and we conclude that:

- LM (Lagrange multiplier) test confirmed that there is no correlation in the model;
- Jarque-Berra test reveals that the residuals are normally distributed;
- ARCH test suggests that the model is not heteroscedastic.

To test the stability of the long-run coefficients, the Cumulative sum (Cusum) test was employed. The results are illustrated in the following figure.
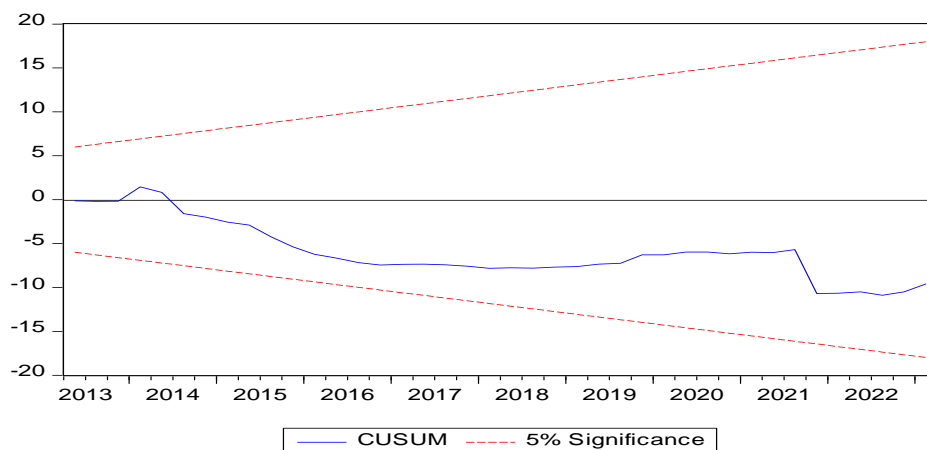

Figure 3: The Results of Cumulative sum (Cusum) test

Since the curve is located inside the critical bounds of 5% significance, therefore, it can be realised that the ARDL model is stable.

CONCLUSION

This study investigated the effect of Islamic banking products (financing formulas) on the Profitability of Al Rayan Islamic Bank. It describes the relationship between (*Musharaka*, *Murabaha*, *Istisnaa* and *Ijarah* financing) and profitability measured by (ROE). The results of the long-run analysis reveal that *Musharaka* financing has a positive and significant effect on ROE at the 5% level. *Murabaha* financing has a negative and significant effect on ROE. Meanwhile, the *Istisnaa* and *Ijarah* variables have no significant effect on ROE. The short-run dynamics demonstrate a negative and significant effect of *Murabaha* and *Ijarah* financing on the Islamic bank's profitability, while the lagged value of *Murabaha* LMUR(-1) has a positive and significant effect on the profitability index of the Islamic bank. Simultaneously, there is no relationship between *Musharaka* and *Istisnaa* and their effect on the profitability of Islamic banks in the short term.

Implications of research
From a practical standpoint, this study contributes to reconfirming the findings of the theoretical and empirical literature on the effect of Islamic banking products (financing formulas) on the profitability of Islamic banks. The results of this study can serve as a guide for Al Rayan Bank's managers about the profitability of Islamic financing products.

Suggestions
Based on the above conclusions, a suggestion can be made to Al Rayan Islamic Bank in particular, and Islamic banks in general, that it is necessary to rely more on the *Musharaka* financing as well as *Ijarah* and *Istisnaa* in financing to enhance their profitability and financial performance.

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