AN INVESTIGATION OF IMPACT OF IJARAH (LEASE) FINANCING ON NON-INTEREST BANK' PERFORMANCE IN NIGERIA

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Abstract

Commercial banks and Non-Interest banks have a similar business of providing loans/financing to those in need and generating a return (interest and profits respectively) from these activities. The study examined the impact of Ijarah (lease) financing on non-interest bank performance in Nigeria. Jaiz Bank Plc was used as a case study because it is the first non-interest bank in Nigeria. Secondary data were sourced from annual reports and accounts of Jaiz bank from the period of 2012 -2021. The study employs descriptive statistics, variance inflation factors and multiple regression techniques in analyzing the data extracted; the analysis was done with the aid of the E-VIEW statistical tool. The study revealed that Ijarah financing and CPI have a negative and significant effect on return on asset, while there is a positive relationship between operating expenses and total assets on return on asset. Also, there is a negative relationship between GDP and return on asset and GDP did not have a significant relationship with return on asset. The result shows that all variables positively affect the return on asset except GDP that have an insignificant relationship with the return on asset. The R^2 squared which measures the overall goodness of fit of the regression shows the value of 99%, which indicates that the model is fit. The findings of this study show that Ijarah financing did not have a significant impact on Return on assets. This is because it is just one of the many Islamic modes of financing, the increase or decrease did not have an impact on the profitability of the firm. But this is a very good mode of financing which will be beneficial to the customers in making their life easier and making the standard of living bearable.

Keywords: *Ijarah, Leasing, Financing, Gross Domestic Product and Return on Assets*

Introduction

Non-Interest Banking (NIB) also known as Islamic Banking was born in the early twentieth century. Non-Interest banking is one of the fastest-growing segments in the financial industry, which has shown incredible growth in terms of assets and the number of financial institutions (Lateef & Eniola, 2020).

Non-Interest Banking (NIB) refers to a system of banking that is consistent with the principles of the Shari'ah (Islamic rulings) and its practical application through the development of Islamic economics (Vrajlal, 2015). The principles emphasize moral and ethical values in all dealings, prohibiting the payment or acceptance of *riba* (interest charges) for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles.

However, in a clear departure from the conventional predetermined interest rate fixed deposit account, the balance sheet of an ideal NIB is dominated by profit-loss-sharing ('PLS') on both the asset and liability side. Non-interest banking is based on several restrictions that do not exist in conventional banking; it accepts unsecured investment deposits based on profit and loss sharing. The bank's relationship with its customers also varies, depending on the underlying contract, from trustee and beneficiary, depositor and custodian, to investor and entrepreneur or partners. This is unlike the main lender and borrower relationship of the conventional bank, especially with its fund users.

Some of the activities used in conventional finance are strictly forbidden. Worthy of note is the non-acceptance or payment of interest (known as Riba) on money. The reason for this is simple; money is viewed purely as a medium of exchange in Islamic banking, unlike traditional banking where money is considered an asset.

There are key principles guiding NIB (Non-Interest Bank), they include: financing must be linked to real assets; involvement in immoral or ethically problematic enterprises not permitted (for example, arms production or alcohol production) and Returns must be linked to risks.

Sharia scholars generally accept profit and loss sharing and mark-ups, provided the financier also bears some risks associated with owing the good. There are a great number of financial instruments that are acceptable from a sharia point of view. They are instruments that are regarded as halal. They include: Mudaraba (trustee financing); Musharaka (partnership financing); Murabaha (mark-up financing); Ijarah (leasing); Bai'salam (prepaid purchase); Quard hasan (beneficence loan); Istisna (contract of manufacture); Sukuk (Islamic bond) and Islamic credit card.

Deposit Money banks and Non-Interest banks have a similar business of providing loans/financing to those in need and generating a return (interest and profits respectively) from these activities. (Lepetit, Nys, Rous & Tarazi. 2008) reported that deposit money banks make most of their money from loans and interest from loans constitutes a primary source of revenue for deposit money banks. Similarly, for Islamic banks, (Grassa & Hassan, 2012) found that income from financing has a significant contribution to the Islamic banks' returns. Even though loan and financing generates returns for both banks, the structure and principle of loan for commercial banks and financing for Islamic banks are different (Ayub, 2007).

Therefore, the aim and objective of this study is to investigate the impact of Ijarah financing on non-interest banks' performance in Nigeria using Jaiz bank which is the first non-Islamic bank in Nigeria.

Objective: To investigate the impact of Ijarah financing on non-interest bank's performance in Nigeria.

Hypothesis:

Ho: Ijarah financing does not have impact on non-interest banks' performance in Nigeria

Conceptual Review

Concept of Ijarah Finance

Ijarah is a transaction where the bank leases an object to its customers and by the benefits received by the customer for the use of the leased object being leased, banks earn rent. Ijarah is a term in Islamic Fiqh which means to give something on rent. Ijarah refers to a contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. At the end of the lease, the bank may transfer ownership of the leased item. Therefore, in the Non-Interest banks, it is called *Ijarah muntahhiyah bittamlik* (lease, followed by the transfer of ownership).

The rental price and the selling price are agreed upon at the beginning of the agreement. In the case of finance leases, the transaction is construed as a contract that represents, in substance, the purchase or sale of an underlying asset, instead of a lease. Hence, the revenue is generated from sales plus the interest that resulted from deferring the receipt of the sale price (lease instalments) (Nura & Sulaiman, 2020).

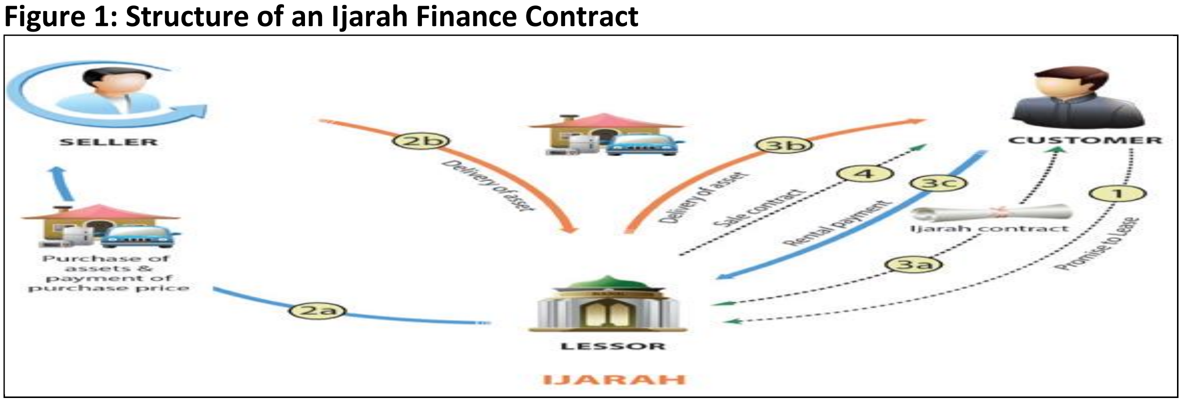
In Ijarah, the usufruct (right to use) of property is transferred to another person for a specified period against agreed consideration called Ujrah (rent). In the Shariah viewpoint, Ijarah is not a contract that transfers ownership of assets to the lessee. Nevertheless, Ijarah may be used whereby, in the beginning, the lessor enters into the contract of Ijarah with the lessee and in the end, through a separate unconditional contract, ownership of the asset may be transferred to the lessee, the latter is known as Ijarah Muntahia Bittamleek.

The features of Ijarah financing are very similar to those of conventional lease financing. But unlike in the conventional lease contract, Shariah holds the leaser responsible for all damage, repairs, insurance and depreciation of the leased asset. The leaser should also bear the risk of uncertainty attached to the useful life of the leased asset. Islamic financial institutions mostly rely on leasing, known as Ijarah-Wa-Iqtina, for meeting financing needs in the real estate, retail, industry and manufacturing sectors. Leasing enjoys strong support from Shariah scholars and bears a close resemblance to conventional leasing (Iqbal, 1998).

Therefore, this product is suitable for client who wishes to acquire an asset without paying a lump sum amount. Instead, the client pays the deposit and the balance will be covered by *Ijarah* financing. In addition, the pricing of *Ijarah* financing also differs from term financing because the former uses simple profit calculation while the latter uses compounded calculation (Ismail, 2019).

A significant difference between conventional and *Ijarah* financing is that the latter involves the combination of two contracts, while conventional hire purchase is structured in one contract (Isra, 2018). Also, by using the *Ijarah* financing mode, the clients will obtain a Shariah-compliant asset free from prohibited elements in Islamic law. However, Islamic banks may penalize the clients with a certain amount in case of failure of clients to fulfil their contract obligations, where the amounts will be channeled to charity (BNM, 2018).

Figure 1: Structure of an Ijarah Finance Contract



Source: Marifas practical guide to Islamic banking and finance

The Concept of Bank Performance

Bank performance is defined as the achievement of the objectives set forth by the bank within the agreed time and with minimal cost while using the available resources. (Yusuf & Isa, 2021) defines performance in the financial sector as the ability to operate efficiently, profitably, survive, grow and react to environmental opportunities and threats. (Pandey, 2003) asserts that banks' performance is measured by how efficient the enterprise is in the use of resources in achieving its objectives.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance is crucial for a commercial bank to attain its going concern issue, banks being at the center of the financial sector can disrupt the entire economy if their inherent challenge, credit management is not handled properly (Mohammad & Shehu, 2018).

A financial ratio is one of the widely used techniques in measuring bank performance and among the ratios used in measuring bank performance are Return on Asset (ROA), Return on Equity (ROE) and Net Interest Margin (NIM) (Alexandru & Romanescu, 2008). Thus, this study employed only the ROA as an indicator of bank performance.

Return on Asset: This is used to measure the profitability of a firm. The ratio provides how much profit a company can generate from its assets. It measures how efficient a company's management is in earning a profit from their economic resources or assets on their balance sheet. The higher the return on assets the better it is for the firm.

Total asset: This is the total representation of the worth of everything a person/firm owns after considering all assets and liabilities e.g. cash, loans, equipment, tools etc.

Ijarah financing over total financing: Ijarah financing is one of the non-interest mode of financing among others. This means the total of ijarah financing divided by the total of all other mode of financing.

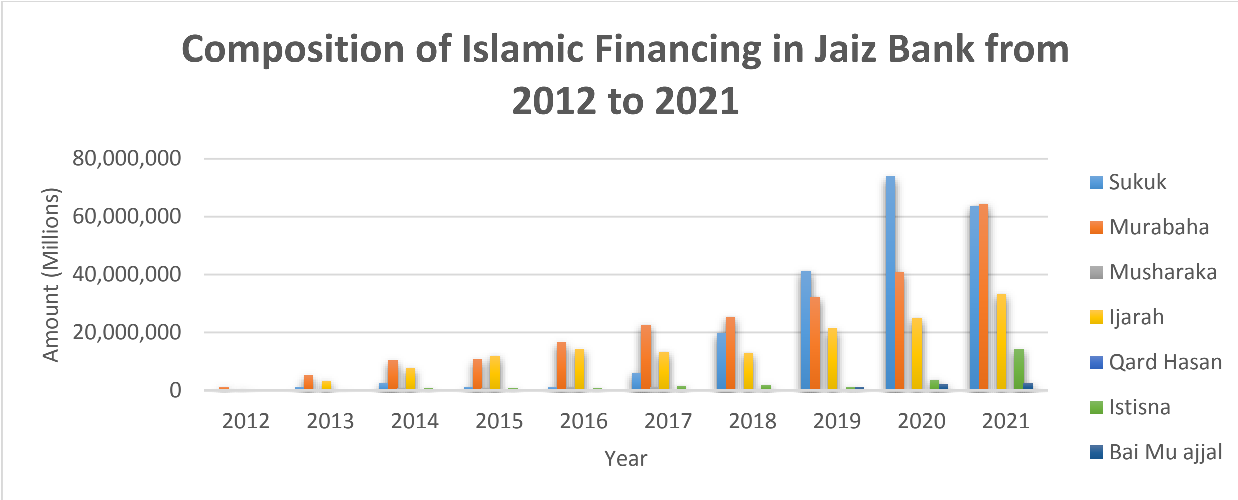
Expenses over total income: this is the operating expenses over the total income of the firm. Operating expenses is the day to day expenses in running the firm.

Expenses over total assets: this is the operating expenses over the total assets of the firm. Operating expenses is the day to day expenses in running the firm.

Consumer Price Index: A consumer price index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households. Changes in measured CPI track changes in prices over time.

Gross Domestic Product: Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

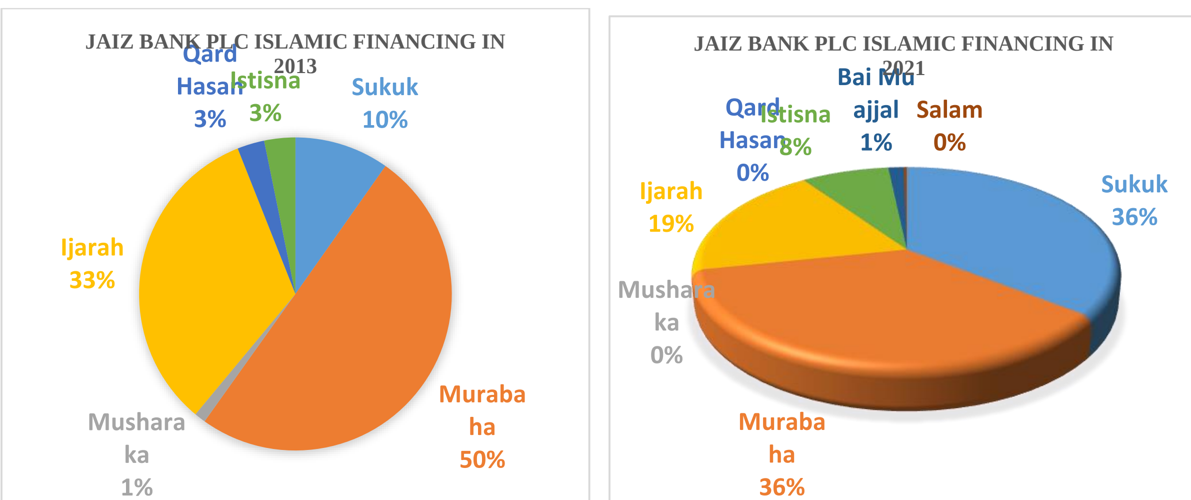
Figure 2: Graphical representation of the composition of Non-Interest Financing in Jaiz Bank Plc



Source: Jaiz Bank Plc annual reports (2012 – 2021)

Figure 2 shows all the Islamic finance instruments used by Jaiz bank. The figure shows a significant increase in Islamic Sukuk bonds from 2020. The trends revealed that Islamic financing is predominantly dominated by sales-based contracts such as Murabahah, followed by Ijarah and other contracts.

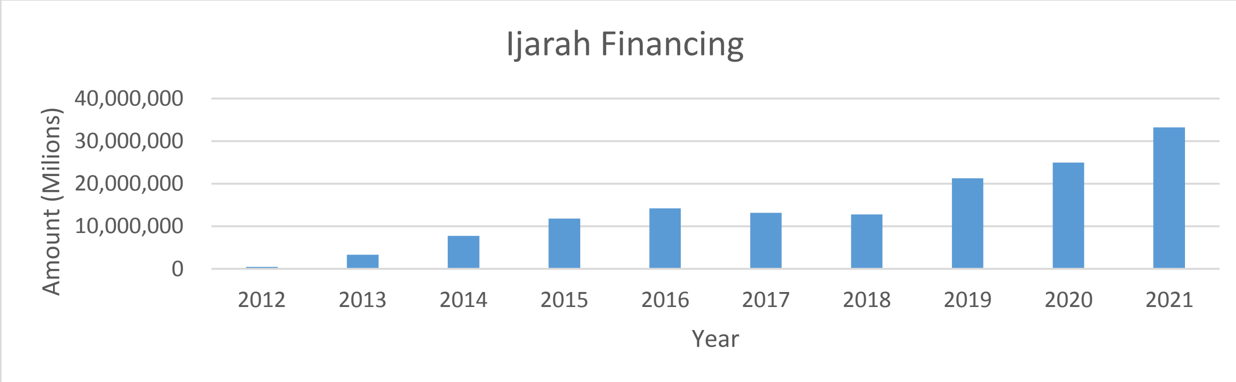
Figure 3 and Figure 4: Comparing Islamic financing in 2013 and 2021



Source: Jaiz Bank Plc annual reports (2013 – 2021)

Figure 3 shows that Murabaha was the highest type of financing followed by Ijarah then Sukuk. But there was a significant change in 2021 (Figure 4) in which Sukuk became the highest type of financing followed by Murabaha and Ijara.

Figure 5: Ijarah Financing trend in Jaiz Bank Plc



Source: Jaiz Bank Plc annual reports (2013 - 2021)

There is a significant increase in the value of Ijarah from over 3 billion in 2013 to over 33 billion in 2021. This result shows the importance of Ijarah by increased demands for Ijarah financing in Nigeria. The major types of Ijarah financing products offered by Jaiz bank are shown in figure 5. This trend shows that there is high demand for Ijara-wa-iqtina among the other Ijara services.

Ijarah-wa-iqtina (literally, "lease and ownership") is also called al ijarah muntahia bitamleek ("lease that ends with ownership"). In an ijara-wa-iqtina contract the transfer of ownership occurs as soon as the lessee pays the purchase price of the asset-anytime during the leasing period (Wikipedia)

Theory of Interest Rate

Islamic finance is based on a simple rule, which is to avoid trading present for future money at a premium. This effectively eliminates finance through debt, although it does not exclude providing interest-free loans for charitable purposes. Finance is provided through equity participation or profit and loss sharing (PLS) in return for equity or rights to share in pre-agreed proportions of profits. A positive rate of interest becomes a positive cost of using money. It leads traders to economize on the use of money in transactions, thereby frustrating their attempt to fully benefit from the means of exchange in minimizing their transaction costs.

To keep the same volume of transactions, traders will have to substitute real resources for money. Such substitution withdraws real resources from the production sector to the transactions sector, leading to a suboptimal level of output. In contrast, reducing the rate of interest to zero removes all incentives to substitute real resources for money. The optimal level of output can therefore be maintained.

The Theory of Reasoned Action Approach

The theory focus on individuals' beliefs with respect to the future performance of a given behaviour that centre on predicting and understanding intentional behaviour. The theory has been modified by Fishbein and Ajzen (1980, 2010), which propose that human behaviour can best be predicted from a person's intentions and that these intentions are determined by the person's attitudes toward the behaviour, perceived norms regarding the behaviour, and perceptions of control regarding the behaviour. Underlying (i.e. responsible for) these three constructs are corresponding behavioural, normative, and control beliefs.

The central construct of the theory is the intention, a motivational construct that is considered the most proximal determinant of behaviour. Intention reflects the extent to which an individual is likely to plan to do and invest effort in pursuing a given behaviour. The intention is conceptualized as a function of two belief-based constructs: attitudes and subjective norms. Attitudes are positive or negative evaluations of performing the behaviour in future, while subjective norms reflect beliefs that significant others would want them to perform the behaviour. Due to this theory, unawareness or a minimal awareness of Ijarah financing will affect the rate at which customers respond to it. The behaviour shows the amount of knowledge of the product they have.

Therefore, the low patronage of non-interest banking and its financing products in Nigeria is measured by non-Muslims' intention to adopt non-interest banking which they see as Islamic banking. This study adopts the theory of reasoned approach as it is the most suitable theory for the study of the impact of Ijarah finance on Non- Interest banks' performance in Nigeria.

Empirical Review

There has been limited research on Ijara financing in the world, especially in Nigeria. This is because Non-interest banking is a new form of banking system and new Non-interest banks are just emerging which shows that there will be a lot of opportunities to invest in sharia-compliant financial instruments which will improve the bank's performance.

Mohammed and Mohammed (2021) investigates the impact of Ijarah financing on Islamic bank performance in Malaysia for the period of 2004-2018 using fixed and random effect models. The findings suggest that Islamic banks should increase their portfolio of Ijarah financing and this is also support the concentration strategy used by banks in improving Islamic bank performances. An increase in demand for Ijarah financing will increase Islamic banks performance and this reflects that Ijarah financing as an asset creation tool that banks prefer particularly for generating income.

Akintan and Dabiri (2021) examine the relevance of Islamic financing instruments on COVID 19 Recession as it affects different sectors of the economy in Nigeria. Comparative analyses of the Islamic finance instruments such as Musharaka, Mudarabah, Murabaha, Salam, Istisna, Ijarah, Sukuk, Muzara'ah, al-Musaqat, Qard Hassan, Wakala, Kafalah and Ju'ala were employed to revealed their significance in sourcing funds for various sectors and research works o of the economy. The paper used secondary data for analysis and was recommended the usefulness of the Islamic banks should be aggressive in promoting the usefulness of the Islamic Financing instruments to Governments, Manufacturing Companies, Firms and Small Business Owners in order to cushion the negative effects of POST COVID 19 Recession on the Economy.

Ibraheem, Mohd. Sadad and Abdulfattah (2020) the paper examines the thematic review of Sukuk Ijarah issued in Nigeria. The paper uses descriptive approach of qualitative methods. It revealed the potential of Sukuk Ijarah as an alternative for rapid economic growth and its functional role in attracting government and clients to invest in it. Furthermore, the authors observe that misunderstanding among religious leaders is a major challenge to the growth of Islamic banks and the implementation of Sukuk in Nigeria.

Nura and Suleiman (2020) The study employs a survey research design by exploring existing literatures and used documentary nature to gather information. The study concluded that Islamic financial products are repackaged along with the features of conventional financial products while eliminating elements that are not in-compliant with the Sharīʼah. Therefore, it is recommended that there is a need to establish and follow fully a Shari'ah-compliant mode of operation of the product by exploring and adhering to the Shari'ah dictates and pronouncements.

Alkhazaleh, Mansour and Al-Dwiry (2018) investigated the effect of financial leasing on Jordanian Islamic bank performance from 2010 to 2016 in order to achieve the objectives, the study relied on testing the hypotheses through regression analysis. The finding revealed that financial leasing has a significant influence on the profitability performance of Islamic banks in Jordan.

Mohammad and Shehu (2018) found a myriad of problems associated with conventional mode financing arrangements prior to ijarah-wa-iqtina. The study used regression and Cronbach's alpha to test the reliability of the study using SPSS statistical tool. It was established that the religious inclinations of respondents have a strong influence on the potential benefits of switching to ijarah-wa-iqtina. Therefore, it was recommended that Islamic financial institutions and well-to-do business persons in Kano metropolis on the need to promote both formal and non-formal Islamic finance among tricycles operators via ijarah-wa-iqtina.

Alawneh, Qwader and Banikahlid (2017) studied the impact of Al-Mudayanah and Al-Musharakahon, which represents (Al-Murabahah and Al-Ijarah) the earning of Islamic banks in Jordan from 2000 until 2015. The results show that Ijarah has a significant and positive effect on both ROA and ROE.

Isa et al (2017) found that the diversification-concentration strategy gives different impacts to Malaysian banks and the concentration on financing by the client has more consistent results on Islamic banks than conventional banks. Islamic bank performance has a significant relationship with concentration strategy where it increases Islamic bank returns and reduces Islamic bank risks.

Asim, Hamid and Ishaq (2016) the study uses two research methodologies: Kruskal-wallis and Mann-Whitney test (non-parametric) and logit regression model (parametric). Both methods are applied to real data sets of 300 respondents from various cities in Pakistan in the car ijarah financing industry. The study revealed that the customers who used the car Ijarah facility from Islamic banks have a positive attitude toward this sort of transaction. In addition, gender, income, and marital status affect the perception about the quality of Shari'ah compliance, and the quality of service of transaction issues are very important to selected clients in the industry.

Almsafir and Alharthi (2015) studied the relationship between Islamic finance modes and Financial performance in Malaysia. The study used both the long run; short run unit root test to carry out the relationship. The study revealed that Ijarah has a significant and positive relationship with Islamic bank performance in Malaysia from 1984 to 2014.

Ayub (2007) the study analyze the effect of Ijarah financing on NIBs performance in Nigeria. The study shows that the establishment of reform policies will improve Non-Interest banks' performances. The study will also create awareness for customers to avail themselves of the opportunity of this mode of finance to improve their standard of living.

Methodology

This study uses descriptive approach of quantitative method; the descriptive approach was used to describe the Jaiz Bank Plc as a non-Interest Bank and the concept of and Ijarah as a mode of financing, while the quantitative method depends on solely secondary data which is obtained from the Bank Annual Reports of the bank from 2013-2021. Regression analysis was used with E-view statistical tool to identify the relationship between the independent variable and dependent variables.

Table 1: Definition of Variables and Model Specification

Variable	Measurement
Log of Return on Asset	Log of (Profit after Tax/Total assets and multiply by 100%)
Log of Total Asset	Log 10 of total asset
Ijarah over Total Financing	Ijarah financing/Total financing
Expenses over Total Income	Operating expenses / Total income
Expenses over Total Asset	Operating expenses / Total asset
Consumer Price Index	It is expressed as a percentage of the cost of the same goods and services in a base period
Gross Domestic Product	The gross domestic product (GDP) growth rate measures how fast the economy is growing. The rate compares the most recent quarter of the country's economic output to the previous quarter. Economic output is measured by GDP and it is measured in percentage.

Model specification

$$LROA = \alpha + \beta LOGTA + \beta IJTF + \beta EXTI + \beta CPI + \beta GDP + \epsilon$$

Where;

LROA = Log of Return on Asset
LOGTA = Log Total Asset
IJTF = Ijarah over Total Financing
EXTI = Operating Expenses over Total Income
EXTA = Operating Expenses over Total Asset
CPI = Consumer Price Index
GDP = Gross Domestic Product
Ɛ = Error Term

The macroeconomic variables refer to the uncontrollable factors that affect the Non-Interest bank performance.

Presentation of Data, Analysis and Findings

Table 2: Descriptive statistics of variables

	LROA	LOGTA	CPI	EXTA	GDP	IJTF
Mean	0.076393	7.889341	12.62900	42.33000	2.479000	9.560000
Median	0.250569	7.885575	11.99000	40.17000	2.430000	8.145000
Maximum	0.536493	8.446030	18.55000	58.31000	6.670000	29.84000
Minimum	-0.693147	7.149680	8.000000	32.37000	-1.790000	4.460000
Std. Dev.	0.487138	0.400160	3.590411	9.417269	2.874816	7.373259
Skewness	-0.557530	-0.268572	0.143005	0.803386	-0.076507	2.339793
Kurtosis	1.713501	2.319761	1.838742	2.354686	2.090038	7.128809
Jarque-Bera	0.966146	0.313020	0.595968	1.249226	0.354768	16.22733
Probability	0.616885	0.855123	0.742313	0.535469	0.837458	0.000299

Sum	0.611148	78.89341	126.2900	423.3000	24.79000	95.60000
Sum Sq. Dev.	1.661123	1.441152	116.0195	798.1646	74.38109	489.2846
Observations	8	10	10	10	10	10

Source: E-view Output 2022

Table 2 presents the various descriptive statistics and distribution of the independent and dependent variables used in the study. It shows that profitability which was represented by return on assets had a mean of 0.076 with a standard deviation of 0.487138. The mean values and standard deviation of the independent variables show the extent of distribution and relationship in relation to return on assets and themselves.

Table 3: Variance Inflation Factors

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.814019	4932.740	NA
LOGTA	0.018732	7322.063	8.717079
CPI	6.25E-05	71.12131	4.293979
EXTA	5.23E-06	63.23627	2.728812
GDP	8.67E-05	4.822999	3.239499
IJTF	0.000318	99.28939	5.736555

Source: Eview Output 2022

The VIF is used to show the multicollinearity of the variables. The higher the centered VIF, the less reliable the result is going to be. If a VIF is more than 10, this indicates high correlation between the variables and is a cause for concern. From the above analysis the Centered VIF of all the variables are less than 10. This means that there is no multicollinearity between the variables.

Table 4: Regression Result of the model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.42314	0.902230	-11.55264	0.0074
LOGTA	1.559913	0.136866	11.39737	0.0076
CPI	-0.131566	0.007904	-16.64543	0.0036
EXTA	0.036304	0.002286	15.88100	0.0039
GDP	-0.025386	0.009310	-2.726581	0.1123
IJTF	-0.260855	0.017846	-14.61715	0.0046

R-squared	0.998410	Mean dependent var	0.076393
Adjusted R-squared	0.994437	S.D. dependent var	0.487138
S.E. of regression	0.036334	Akaike info criterion	-3.678397

Sum squared resid	0.002640	Schwarz criterion	-3.618816
Log likelihood	20.71359	Hannan-Quinn criter.	-4.080248
F-statistic	251.2493	Durbin-Watson stat	3.109770
Prob(F-statistic)	0.003969		

Source: E-view Output 2022

From the result above, the coefficient LOGTA which means the Log Total asset is 1.560 which indicates that total asset has a positive relationship with Return on Asset. A unit increase in ROA will amount to log on Total asset increases by 1.56% yearly; IJTF reduces return on Total asset by 0.26% on a yearly basis. There is a positive relationship between operating expenses and return on asset with a coefficient of 0.04% indicating that for every unit increase in operating expenses, there is a 0.04% increase on return on assets. There is also a negative relationship between CPI and ROA, then also a negative relationship between GDP and ROA yearly.

Test of Hypotheses

Table 5: Summary of regression result

Variables	Coefficients	P-value	Decision Rule	Conclusion
Log Total Asset	1.559913	0.0076	P-value<0.05	Significant
Ijarah Finance over Total Financing	-0.260855	0.0046	P-value<0.05	Significant
Operating Expenses over Total Assets	0.036304	0.0039	P-value<0.05	Significant
Consumer Price Index	-0.131566	0.0036	P-value<0.05	Significant
Gross Domestic Product	-0.025386	0.1123	P-value>0.05	Insignificant

All variables LOGTA, IJTF, EXTA, and CPI with a probability of 0.0076, 0.046, 0.039 and 0.036 respectively indicate the significancy of the variables at all levels except the GDP with the probability of 0.112 which indicates insignificant i.e., all the other variables affect ROA except GDP. R-squared of 0.99 indicates that the model is fit. R-squared shows that 99% of the variations in profitability as a proxy by (LROA) can be attributed to explanatory variables (LOGTA, IJTF, EXTA, GDP and CPI), While the remaining 0.01% variations in the respective dependent variable were caused by other factors not included in the model. Durbin-Watson statistics stands at 3.109770 which signify that there is evidence of autocorrelation detected in the sample data for the study.

Research Findings

Based on analysis and interpretation carried out, this study reveals the following findings:

i. Log Total Assets (LOGTA) has a positive effect on Jaiz Bank's Financial performance (ROA) as well as having a significant effect on the financial performance of the bank;

ii. Ijarah Financing over Total forms of financing offered by the bank (IJTF) has a negative effect on Jaiz Bank's financial performance (ROA), and it also has a significant effect on financial performance;

iii. Operating Expenses Over Total Assets (EXTA) has a positive effect on Jaiz Bank's financial performance with a significant effect on financial performance (ROA);

iv. Consumer Price Index (CPI) has a negative effect on Jaiz Bank's financial performance (ROA), but it also has a significant effect on financial performance;

v. Gross Domestic Product (GDP) has a negative effect on Jaiz Bank's financial performance (ROA), and it also has an insignificant effect on financial performance.

Conclusion and recommendations

The study concluded that Ijarah financing did not have any effect on the bank performance as it is one of many modes of non-interest bank financial instruments. Therefore, it is recommended that with Ijarah financing corporate firms can improve the financial structure of the firm in a way that they can explore this means to access more equipment's for use without paying the huge capital once.

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