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Finance of Islamic Ethics, Conventional Finance and Economic Growth: Applying Dynamic Panel Data

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Abstract— The purpose of this article is to study, in the first place, the theoretical framework of the relationship between Islamic finance, conventional finance and economic growth. Second, we reviewed the review of the existing literature that highlights the nature of the relationship between financial development and economic growth, while considering the role played by Islamic finance as a catalyst for economic growth in the region. Investment orientation. Lastly, we empirically try to discover the impacts of Islamic finance and conventional finance on economic growth and therefore the relationship between conventional financial development and the financial development of Islamic ethics on economic growth. Our empirical validation is very diverse given the nature of the estimation methods used the GMM method in first differences and the GMM method in system for our study many Islamic country during twenty successive years (1990-2009).

Keywords— Islamic Finance, Conventional Finance, Economic Growth, Dynamic Panel Model.

JEL Classification— G32, E44, C13 and C33.

I- INTRODUCTION

To analyze the link between financial development and economic growth, the majority of contributions highlight the relationship between the financial aspect (finance) and the real aspect (economy) and also the mechanisms through which finance influence economic growth. In addition, there are other analyzes that examine the relationship between financial system development and economic growth. The work of Levine & Zervos (1998) and Beck & Levine (2004) test the relationship between stock market development, banking sector development and economic growth. In this case, the financial development indicators selected by the authors are the stock market development ratio and the bank credit granted to the private sector in relation to GDP (as an indicator of bank development).

Moreover, the main results show that the banking development indicator does not correlate significantly with economic growth, while the indicator of stock market development is significantly correlated with growth. MCO results stem from a strong positive link between stock market development and economic growth and a strong positive articulation between banking development and growth. In this context, the authors argue that the development of banks and

stock exchanges has a positive impact on long-term economic growth. Mamun A., Basher S, Hoque N, and Ali M. (2018) examined the role of stock markets in the economic growth of four Asian countries, namely, Bangladesh, India, and China. In the short term, they have noticed that stock markets also have a positive relationship with economic growth in all countries. Also, Pradhan, Arvin, Hal and Bahmani (2014), studied the relationship between banking sector development, stock market development, economic growth, and four other macroeconomic variables while using a principal component analysis for the construction of banks. Development indices and a panel vector autoregressive model to test for Granger causalities, this study finds both unidirectional and bidirectional causal links between these variables. Finally, we will recall once again, first of all, that finance is a source of growth. Second, we will study the research methodology and finally, we will estimate and interpret the results found.

II- REVIEW OF THE LITERATURE

A. Finance between ethics and history: Catalyst of growth

In this work, the literature will discuss the role of classical finance as a source of economic growth while taking into account the participation of Islamic banks that can not create credit like conventional banks and also that do not have a interbank market. Indeed, Islamic finance also seems to play a role in economic development through the mobilization of savings¹.

Khan and Mirakhor (1994)² complement this vision by showing that Islamic monetary policy takes place in a setting where all the classical tools available in a modern economy are available to the monetary authorities, with the exception of the discount rate and other tools that involve the use of interest. In short, Islamic banks do not have the same attributes as conventional banks. The central question is how does this Islamic financial system (the development of Islamic finance) contribute to the growth?

¹ Zaher, T. S. and Hassan M. K. (2001): « A Comparative Literature Survey Of Islamic Finance And Banking », *Financial Markets, Institutions & Instruments*, V. 10, No. 4, pp: 155-195.

² Khan M. S. and Mirakhor A. (1994) : « Monetary Management In An Islamic Economy », *Journal of King Abdulaziz University: Islamic Economics*. Vol. 6 ? p.p : 3-21.

B. Queries and research problem

Without doubt, the development of the Islamic financial sector plays a very important role in the totality of a country's economic development. Numerous empirical studies that have examined the relationship between finance and economic growth. Our empirical contribution attempts to clarify the link between Islamic finance and economic growth in some Islamic countries. This study can give an answer to the following research questions.

Does Islamic financial development have a significant impact on economic growth for our study area? Does Islamic Financial Development Promote Growth for many Countries?

C. Econometric methods

* Ordinary least squares (OLS) model

The assumptions that make it possible to use the ordinary least squares (OLS) method have a disadvantage of endogenousness. Given the particular nature of the panel data, this technique is biased, even if the estimators are consistent. Unlike the ordinary least squares method, panel data can track an individual i ($i = 1$ to N) over a period T ($t = 1$ to T), which means that the data is doubly indexed. We thus note in a general way:

$$Y_{it} = \alpha + \gamma Z_{it} + \theta K_{it} + \delta X_{it} + \varepsilon_{it} \quad (E)$$

When;

$$CDP_{it} = \alpha + \gamma IF_{it} + \theta CF_{it} + \delta_1 HK_{it} + \delta_2 Inv_{it} + \delta_3 Exp_{it} + \delta_4 Trad_{it} + \delta_5 DV_{it} + \varepsilon_{it} \quad (E')$$

With ; $CDP_{it} = Y_{it}$ (Growth indicator); $Z_{it} = IF_{it}$ (Islamic Finance indicator) and $K_{it} = CF_{it}$ (Conventional Finance Indicator)

$X_{it} = (HK_{it}, Inv_{it}, Exp_{it}, Trad_{it} \text{ and } DV_{it})$ when DV_{it} = (dummy variable)

$\varepsilon_{it} = \alpha_i + \mu_{it}$ where α_i et μ_{it} are uncorrelated random perturbations.

The estimation of the equation allows us to adopt a specification in terms of a composite error model.

* Generalized Moment Method (GMM): Dynamic Panel³

The "Generalized Moments" method in dynamic panel was introduced by Arellano and Bond (1991) and Arellano and Bover (1995). It is characterized by several very specific advantages in terms of the nature of the data panel and the level of solutions it provides. Indeed, the GMM method in dynamic panel allows to provide solutions to the problems of simultaneity bias, inverse causality and omitted variables. This method makes it possible both to control the specific individual and temporal effects and to overcome the endogenous biases of the variables, especially when there are

one or more delays of the dependent variable as an explanatory variable. There are two variants of dynamic panel GMM estimators, namely the first difference GMM estimator and the system GMM estimator. According to Blundel and Bond (1998), presents the GMM estimator in a system that combines the first difference equations with the level equations in which the variables are instrumented by their first differences, which appears to be more efficient than the one advanced by Arellano. and Bond (1991):

*The Sargan / Hansen over-identification test.

*The Arrelano test and Bond autocorrelation such as the two hypotheses H_0 and H_1

With :

H_0 : lack of self correlation of the errors of the difference equation

In our empirical work, it is clear that delayed variables persist and exist according to our theoretical development, so it will be necessary to distinguish clearly between the nature of the explanatory variables.

The dynamic model is a model in which one or more delays of the dependent variable appear as explanatory variables. Unlike dynamic panel GMMs, standard econometric techniques such as OLS do not provide unbiased estimates of such a model because of the presence of the delayed dependent variable to the right of the equation. It follows from biased estimates. The GMM method is based on the orthogonality conditions between the lagged variables and the error term, both in terms of first differences and level. When the dynamic model is expressed in first differences, the instruments are in level, and vice versa. In the model to be estimated, the use of lagged variables as instruments differs according to the nature of the explanatory variables:

- For exogenous variables, their current values are used as instruments.
- For predetermined or weakly exogenous variables (variables that may be influenced by past values of the dependent variable, but remain uncorrelated to future achievements of the error term), their lagged values of at least one period may be used as instruments.
- For endogenous variables, their delayed values of two or more periods can be valid instruments. The validity of the selected instruments can be confirmed or invalidated, based on the Hansen and Sargan tests. There are two variants of the dynamic panel GMM estimator: The GMM Differential Estimator and the GMM System Estimator.

Thus, variables that can be influenced by the past of the dependent variable but remain uncorrelated to future achievements of the error term. The subject model has both a

³ The contribution of Greene (2005) Intituled: Econometrics. 5th edition. French translation led by Schlachter, Azomahou, Couderc, Monjon, Nguyen Van. Editions Pearson Education provided a clarification of the panel data estimate.

problem of endogenous variables and a correlation between the delayed endogenous variable and the residues. Any convergence model is dynamic and, as such, introduces additional endogeneity into the explanatory variables.

In total, the dynamic models are treated in first differences by the method of generalized moments. In this framework of analysis, Anderson et al. (1982) propose using the delayed first differences of the endogenous variable as instruments. Arellano and Bond (1991) add to this list of instruments the delays of the endogenous variable by showing their orthogonality to residues. Then, we will use the Generalized Moment Method (GMM) based on dynamic panel data that is used as both incoming and outgoing instruments, which yields a double result either by aggregation or by synthetic measurement.

❖ The principle of the GMM method

* GMM in first differences:

The first difference GMM estimator Arellano and Bond (1991) consists in taking for each period the first difference of the equation to be estimated in order to eliminate the individual specific effects. We are getting:

$$\Delta GDP_{i,t} = \alpha + \beta \Delta GDP_{i,t-1} + \gamma \Delta IF_{i,t} + \theta \Delta CF_{i,t} + \delta \Delta X_{i,t} + \Delta \varepsilon_{i,t} \quad (E'')$$

It is then a question of instrumentalizing the endogenous variable delayed by its past values of 2 periods and more. However, this method does not make it possible to identify the effect of invariant factors over time.

In addition, Blundel and Bond (1998) have shown using Monte Carlo simulations that the GMM system estimator performs better than the raw difference one, which gives biased results in finite samples when the instruments are used low.

*GMM en système

The GMM system estimator by Blundel and Bond (1998) combines the first difference equations with the level equations. The instruments in the equation in first differences are expressed in level, and vice versa.

We use the Statat 15 software, the Hausman test leads us to adopt the random effects model. It also provides a simple description of the dataset used note (E*)

$$\begin{aligned} \Delta Y_{i,t} &= \alpha + \beta Y_{i,t-1} + \gamma \Delta Z_{i,t} + \theta \Delta K_{i,t} + \delta \Delta X_{i,t} + \Delta \varepsilon_{i,t} \\ Y_{i,t} &= \alpha + \beta Y_{i,t-1} + \gamma Z_{i,t} + \theta K_{i,t} + \delta X_{i,t} + \varepsilon_{i,t} \end{aligned}$$

With Y the endogenous variable; X, K and Z are exogenous variables; (α , β , θ and δ) the parameters to be estimated; $\varepsilon_{i,t}$ the error term. α_i is a common fixed effect term (constant)

$\varepsilon_{i,t}$ is the perturbation term, i denotes the countries with i = 1,2,, N; N is the number of countries and t denotes time periods with t = 1, 2,, T; T is the number of periods of

time. The main tests in dynamic panels, are based on the following assumptions, to accept.- Test de Sargan : H_0 .

* The instruments are valid.

-Absence of serial correlation of residues.

H_1 : Negative 1st order correlation of the residues.

H_0 : No 2nd order correlation of residues.

* Description of the model

To empirically study the role played by financial development on economic growth, the following simple model is used:

$$GDP_{i,t} = \alpha + \beta GDP_{i,t-1} + \gamma IF_{i,t} + \theta CF_{i,t} + \lambda X_{i,t} + \varepsilon_{i,t} \quad (E-1)$$

When:

$$GDP_{i,t} = \alpha + \beta GDP_{i,t-1} + \gamma IF_{i,t} + \theta CF_{i,t} + \delta_1 Inv_{i,t} + \delta_2 Exp_{i,t} + \delta_3 HK_{i,t} + \delta_4 Trad_{i,t} + \delta_5 DV_{i,t} + \varepsilon_{i,t} \quad (E-2)$$

We have built a properly macroeconomic database and the IBIS database.

❖ Theoretical model

In an environment where Islamic finance prevails, there are principles and rules to be followed to promote economic growth, and this relationship between the two spheres is addressed by several studies and empirical methods and diversified models.

Indeed, Arellano and Bond (1991) propose a more efficient estimator based on the use of additional instruments, then determining a set of conditions on moments, hence the name of estimation by the generalized method of moments (MMG).).

The Arellano and Bond estimator has been widely used for the estimation of panel data investment functions (eg Bond and Meghir, 1994, Jaramillo, Schiantarelli and Weiss, 1996 and Mairesse, Hall and Mulkay, 1999).

The GMM first difference of Arellano and Bond (1991) is to take for each period the first difference of the equation to estimate in order to eliminate country-specific effects, and then to instrument the explanatory variables of the equation first. Difference by their level values delayed by one or more periods. In addition, the second difference GMM estimator is obtained by a two-step estimation method. From a conceptual point of view, we will study the relationship between the development of the Islamic financial sector and economic growth for a few countries in the MENA region.

From a practical and statistical point of view, Blundell and Bond (1998) have shown that in the case where the variables are persistent over time, the delayed values of these variables are weak instruments of the first difference equation. This

influences the asymptotic and finite sample performance of the GMM difference estimator.

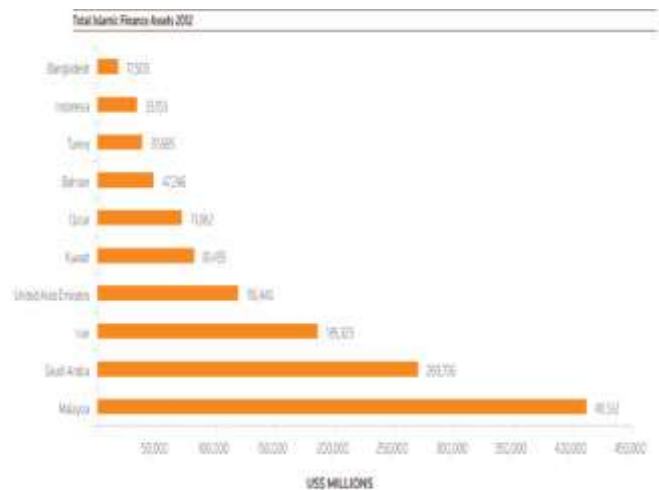


Fig. 1: The evolution of Islamic finance in the World (2012).

A- Islamic Finance Development Report

Islamic banks have played an important role in financing infrastructure projects in Muslim countries, and have been a source of funding for foreign companies and joint ventures operating in the Middle East and Asia. International banks such as HSBC, Crédit Agricole, and Standard Chartered have established sharia-compliant banking divisions, and advised corporations and governments on issuing sukuk and other financial products. Islamic banks have popped up in some Western countries, such as the Kuwait-backed Bank of London and the Middle East (BLME), which is sharia-compliant down to the lease contracts on its photocopy machines. This geographic expansion is expected to continue both to cater to Muslim consumers and to find new investment opportunities for large, cash-rich Islamic banks in the Middle East and Asia.

B- The shackles of Islamic ethical finance

Among the obstacles of Islamic finance, we quote the unresolved monetary problems: Monetary creation problem and Absence of an interbank market.

III- CHOICE OF VARIABLE AND VALUATION METHODOLOGY

We introduce three types of variables in our model. First, the growth variable, which depends on the model. We then guide the indicators of financial development. Finally, we introduce a conditional information matrix to control variables that affect long-term economic growth.

A. Sample and period

* **Sample:** Our sample consists of 16 countries namely Bahrain, United Arab

Emirates, Jordan, Kuwait, Qatar, Saudi Arabia, Oman, Bangladesh, Indonesia, Malaysia, Pakistan, Turkey, Egypt, Iran, Sudan, Yemen. We have built a database of the truly

international macroeconomic data available in "World Bank CD"

***Period:** Our study period is formed by a period of 20 years depending on the Availability of existing data. The great diversity in terms of geography and in terms of country performance makes it possible to increase the robustness of our analyzes.

B. Definitions and measures of variables

- **Growth indicator:** We chose the GDP per capita growth rate (Levine et al., 2000, Beck et al., 2000, and Beck and Levine, 2004).
- **Financial Development Indicators:** We propose the following indicators.

-**Depth:** This variable is proposed by King and Levine (1993a, b). In this context, King and Levine (1993a, b), Levine et al. (2000), Kpodar (2005) admit a significant correlation between financial development and economic growth. To measure the financial depth (Depth), King and Levine (1993a, b), Levine et al. (2000), Kpodar (2005) use the M3 aggregate corresponding to the liquid liabilities of the financial system divided by GDP. In our work, we use the M3 / GDP aggregate provided by the IBIS database for our sample of Islamic banks. This measure is an indicator of the development of Islamic finance and includes the liquid assets of the liabilities of Islamic banks.

- **Islamic financing:** In their 1998 study, Levine and Zervos add the measure of development of the banking sector to cross-sectional studies of growth. According to these authors, this measure is equal to the credit of the private sector divided by the GDP noted IF (Finis / GDP): Qard Hasan, Murabahah, Ijarah, Moudarabah, Moucharakah, Salam, Istisna ,...). In addition, several authors such as Levine and Zervos (1998), Rousseau and Wachtel (2000), Beck and Levine (2004) show that the level of development of the banking sector, measured by credit activity, is significantly positive and correlates with the growth. In our work, we use the value of Islamic financing which is equal to the sum of the following operations:

- **Investment:** Abu-Bader and Abu-Qarn (2008) include the investment-to-GDP ratio to determine whether financial development affects economic growth by improving efficiency or, indirectly,

$$\begin{aligned} Y_{i,t} - Y_{i,t-1} &= \beta Y_{i,t-1} + \lambda X_{i,t} + \varepsilon_{i,t} + \mu_t + \eta_t \\ Y_{i,t} - Y_{i,t-1} &= \beta Y_{i,t-1} + \gamma Z_{i,t} + \theta K_{i,t} + \delta V_{i,t} + \varepsilon_{i,t} + \mu_t + \eta_t \end{aligned}$$

$\mu_t + \eta_t$ are respectively the unobservable and identifiable factors that affect all countries in the sample at time t.

- The second equation is defined by: $X_{i,t} = (K_{i,t}, Z_{i,t} \text{ et } V_{i,t})'$ et $\lambda = (\gamma, \theta, \delta)$.

After having fixed our methodology, we will then give the descriptive analysis then the estimation with the method GMM in difference and GMM in system to finish with the interpretations of the results obtained.

IV- ESTIMATES,INTERPRETATIONS AND CONCLUSIONS

A. Descriptive analysis

*Descriptive statistics

Table 1: Descriptive statistics of variables

Vbles	Obs.	Mean.	Std. Dev.	Min.	Max.
GDP	320	4.79819	4.861579	-10.04967	33.99047
CF	320	8.045258	46.59423	0.0000383	540.1351
Inv	320	1.271845	5.012045	-6.462162	24.01051
IF	320	0.1149592	0.6755422	0.0000177	11.98022
Exp.	320	0.5677975	0.1441396	0.1666667	0.8733797
HK	320	1.110093	0.3253679	0.0002012	1.663964
Trad.	320	-0.2142848	1.27513	-4.670521	1.740128
DV	320	0.8125	0.3909237	0	1

Source: The Statat 15 output made by the author

Table 2: Matrix of correlations between variables

Vbles	GDP.	CF	Inv	IF	Exp	HK	Trad	DV
GDP	1.000							
CF	-0.111	1.000						
Inv	0.084	0.685	1.000					
IF	-0.028	0.0294	-0.061	1.000				
Exp	0.092	-0.068	-0.098	-0.133	1.000			
HK	0.075	0.022	0.061	0.0255	-0.075	1.000		
Trad	0.147	-0.009	-0.014	-0.202	0.636	0.134	1.000	
DV	0.046	0.074	0.117	0.060	-0.003	-0.182	-0.242	1.000

Source: The Statat 15 output made by the author

* Simple Régression

The results in this table indicate that the growth indicator (GDP) and financial development indicators (IF and CF) are two negative coefficients respectively (-0.00099) and (-0.03), so the share of these two variables is not explanatory since the effects on the growth indicator (GDP) are negative.

The equation, in this case, is written as follows:

$$GDP_{it} = 3.2201 - 0.001783 CF_{it} - 0.035 Inv_{it} - 0.937 Exp_{it}$$

$$TS \quad (1.64) \quad (-3.25) \quad (-0.48) \quad (-1.96)$$

$$-0.08028 IF_{it} + 1.430 DV_{it} + 0.688 Trad + \epsilon_{it} \quad (E)''$$

$$TS \quad (-1.96) \quad (1.94) \quad (2.32)$$

The explanatory power (R^2) is less than **0.48** of which (**R-Squared = 0.2175**). This explains the residual power formed by other variables can be among the variables of the equation.

Table 3: Simple Régression

Number of obs = 320 F(7, 312) = 5.27 Prob > F = 0.0028 R-squared = 0.485 Adj R-squared = 0.272					
Icran	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
CF.	-0.0017897	0.0079514	(-3.25)**	0.0213	0.0255769 .0057134
Inv	-0.0357183	0.0749202	-0.48	0.634	-0.183131 0.1116944
IF	-0.0802814	0.0749202	(-1.96)*	0.044	-0.183131 0.1116944
Exp.	-0.9371529	2.530136	-0.37	0.711	-5.91544 4.041134
Ed.	1.102354	.8611983	1.28	0.201	-0.5921367 2.796845
Trad.	0.6888273	.2970493	(2.32)**	0.021	0.1043542 1.2733
D.V	1.430727	0.7367556	(1.94)*	0.053	-0.018911 2.880365
Cst.	3.220107	1.958773	1.64	0.101	-0.6339677 7.074181

Source: The Statat 15 output made by the author

B. Estimates, interpretations and comments

**Estimates*

Table 4: Regressions by four estimation methods

Regressions Variables	Equation (1)	Equation (2)
GDP _{t,t-1}	(0.2031842)*** (3.36)	(0.182997)*** (3.82)
Cst	(12.28671)*** (2.96)	(0.1829971)*** (3.82)
CF	(-0.0227013)*** (-2.36)	(-0.1702166)** (-1.84)
Inv	-0.117447 (-0.44)	-0.2313967 (-1.38)
IF	-0.1479271 (-0.38)	-0.03152082 (-0.88)
Exp	-2.939561 (-0.60)	-2.4528742 (-0.55)
HK	(-5.5674861)** (-2.18)	-3.365841)* (-1.89)
Trad	2.455997 (0.63)	.3255109 (037)
DV	-----	(7.067355)*** (2.24)
Obs.	288	304
F.		
T.Wald	23.50	30.46
Sargan-T		
Prob >chi2	0.0001	0.00002

Source: The Statat 15 output made by the author

Equation N°1: GMM en difference: Arellano- Bond (1991)

Equation N°2: GMM en systene: Blundel et Bond (1998)

*** Significant to 1%, ** Significant to 5%, * Significant to 10%.

C. Interpretations

Table N ° 4 presents the results obtained, while estimating the growth model based on two estimation methods namely the GMM method in first differences and the GMM method in system for our sample of Islamic countries.

*The GMM method of Arellano and Bond (1991) in difference

In this framework of estimations, we have introduced each time a variable passing through the following indicators CF, Exp, HK and Trad in the first place, we finally manage to regress all the used variables including IF, Inv and DV on the economic growth (GDP) for the GMM method of Arellano and Bond (1991) in difference.

The results of equation N ° 1 show that conventional finance (CF) has a negative effect (-0.22) and a significant 1% on growth (GDP) so for Islamic finance is negatively insignificant for many islamic countries. The same thing for education (HK) has a negative effect (-5.56) and significant at 5% on growth (GDP).

In this context of estimation, it is not possible to validate the hypothesis that Islamic finance plays, for the moment, an important role as a growth engine within the meaning of Schumpeter.

*GMM method of Blundell and Bond (1998) in System

In this framework of estimations, we have introduced each time a variable passing through the following indicators CF, Exp, HK and Trad in the first place, we finally manage to regress all the used variables including IF, Inv and DV on economic growth (GDP) for the GMM method of Blundell and Bond (1998) in System. In fact, the results of equation N ° 2 show that conventional finance (CF) has a negative (-0.17) and a significant 10% effect on growth (GDP) for many Islamic countries. Moreover, an increase of 10% in CF (M3 / GDP) is hindering economic growth (gdp) with a drop of almost one point.

In this context of regression of the equation N ° 3, the estimate does not approve the hypothesis that Islamic finance is a growth engine in the sense of Furqani and Mulyany (2009) and Majid and Kassim (2010).

D. Comments

We performed four different regressions according to the method adopted to interpret the correct result.

Indeed, empirical checks on the link between Islamic financial development and macroeconomic growth are very limited in the sense of these authors, namely: Abduh and Omar (2012), Abduh and Chowdhury (2012), Furqani and Mulyany (2009), and Majid and Kassim (2010). In addition, the unavailability of data in Islamic finance for the majority of islamic countries does not help to clarify the important role of finance generally as a catalyst for economic growth.

Despite these shortcomings of the data, there are empirical studies and attempts that show the weight of finance to the economic circuit and in this sense other works consider above all Islamic finance as playing an important role in the fight against social exclusion and improving well-being

(Bremer, 2004 and Ebrahim, 2009). Certainly, beyond their role in providing social services, Islamic charities have served as redistributive mechanisms to reduce gaps and inequities by providing aid to the poor.

These organizations offer the opportunity to the rich to be in solidarity with the poor. They recognize their obligations to help and fight against poverty its causes and effects (Bremer, 2004 and Ebrahim, 2009).

This type of work examines the link between financial development (financial sphere) on economic growth (real sphere) during small periods of five years, so our contribution on the one hand clarifies this relationship for twenty successive years (long period) and for countries from different continents (golf country, North Africa country, Asian country).

E. CONCLUSION

In our study, we examined the role of Islamic finance from the banking system that describes the financial development of nations and promotes economic growth for many authors.

Indeed, for our many Islamic country study area which consisted of 16 countries, over 20 periods from 1990 to 2009, we estimated by four different methods namely the fixed effects model. (this type of work exists in the empirical review), the random effect model, the dynamic panel model according to the Arellano and Bond (1991) approach, while regressing the type of the model by adding each time a variable (in first difference), and according to the contribution Blundell and Bond (1998) while integrating the data into a system (this type of contributions and econometric contributions are not numerous).

In our estimation, the three variables measuring the development of Islamic finance (Depth, Invst and IF) are statistically significant. The depth of Islamic finance (Depth) measured by the ratio CF has a negative sign. This reflects the fact that this financial deepening, measured by the increase in the money supply in the presence of an unfavorable environment can not be effective.

On the other hand, Islamic financing (IF) and Investment (Invst) have a positive sign. These two indicators have a positive impact on economic growth. In Equation N ° 2 which validates the hypothesis that Islamic finance plays, for the moment, an important role as a growth engine in the literal sense of the literature .

In addition, the effect of this bank credit on many Islamic country growth indicator shows Islamic banks are limited effects on growth may be a consequence of the non-maturity of the financial system Islamic. Zaher and Hassan (2001) also show that size is one of the major challenges that Islamic banks will have to face in the coming years in order to better assert their competitiveness. This weakness in size does not favor the economies of nations. In addition, ethical finance remains important compared to conventional finance especially in this economic reality

There is also the question of monetary creation, which remains embryonic in academic work. This last aspect of macro-monetary nature is undoubtedly one of the points to be clarified through further studies.

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