

The Role of Monitoring Islamic banks to Control Money Laundering Crimes from the Viewpoint of Employees in the Central Bank of Jordan

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Abstract: - The present study aimed to examine the role of monitoring Islamic banks in fighting against money laundering crimes from the perspective of the employees working at the Central Bank of Jordan. The researcher adopted a descriptive analytical approach. The sample consists of 60 employees who were chosen from the Central Bank of Jordan. Questionnaire forms were passed via email to those employees to fill. All the forms were filled and retrieved. It was found that the reality of monitoring money laundering crimes in Islamic banks by central bank of Jordan is moderate. It was found that there is a positive statistically significant impact of monitoring Islamic banks on control money laundering crimes from the viewpoint of employees in the central bank of Jordan. The researcher recommends activating the role of the Central Bank of Jordan in fighting against money laundering crimes

Key-Words: - Islamic Banks, Money Laundering Crimes

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1 Introduction

The banking system is one of the pillars of the financial system in countries, and it is necessary to monitor the management of the money in banks on its various objectives and operations in the market. The phenomenon of money laundering is considered one of the distorting elements of this system, and a general framework of standards and conditions must be developed for banks to adhere to them accurately, and usually it is done by the central banks of the countries.

The methods of Islamic financing are governed by Sharia provisions. The phenomenon of Islamic financing for small projects is still modern. Despite its recent events, it has witnessed rapid growth in the past three decades and extends at the present time to more than 75 countries, and of these projects there are 292 banks, whether fully Islamic or institutions that have branches for Islamic transactions [7]

The Islamic financing methods are based on feasibility studies from the economic point of view, and on the basis of halal in terms of Sharia. These methods do not transfer between financing institutions and taking adequate guarantees that secure their funds [2]

Islamic banks have been facing many risks such as: liquidity risks states [17]. They have been playing a significant role in developing states [16]. The establishment of specialized lending institutions, such as: Islamic banks in most countries of the world came as a response to avoiding some

categories of dealing with traditional commercial banks, in an attempt to contribute to the economic development process, while focusing their credit activity in the field of short-term loans, to obtain a quick profit [4].

Islamic financial products have been increasing recently. The demand on them has been increasing too in the Islamic financial market [13]

The researcher believes that Islamic banks may be among the financial institutions targeted for money laundering operations, especially as they carry out extensive investment and commercial operations within the policy of Islamic banks in murabahah, leasing and others. This makes it vulnerable to risks like other commercial banks

Money laundering crimes are amongst the dangerous crimes of the digital economy era, and they are the real challenge facing financial and business institutions. It is also a test of the ability of legal rules to achieve the effectiveness of confronting criminal activities and combating their patterns. Money laundering is also considered a subsequent crime for criminal activities that achieved unlawful financial returns, so it was necessary to impose legitimacy on the criminal proceeds, which are known as dirty money, in order to allow them to be used easily and easily, as their crimes generate large amounts of money such as drug trafficking, arms smuggling, financial corruption activities, embezzlement and others (Rasheed and Abdel Qader, etc.) 2016).

Money laundering is an organized international

crime whereby a person or financial or non-financial institutions and organizations conduct a series of successive financial operations on illegal funds that resulted from committing a crime punishable by law, with the help of intermediaries as a front for dealing, taking advantage of financial and administrative corruption and the secrecy of bank accounts in order to secure the outcome of their money. The dirty scrutiny and security prosecution [1]

Among the factors and causes that have led to the exacerbation and growth of the crime of money laundering, the phenomenon of globalization, the increase in the volume of electronic commerce and rapid financial transactions, global economic openness, the great technological progress in the field of transactions, bank transfers, information and communications, the weakness of the banking and information system, the lack of legal systems to reduce this crime and weak supervision of banks [8] The crime of money laundering is considered one of the crimes of the times that requires concerted efforts to face its dangers, and since the banking system is the most important channel for the disposal of the proceeds of illegal crimes that money launderers resort to, it (banks and financial institutions) has a set of obligations stemming from the core of banking work to reduce crime and arresting criminals by tracking illegal money (Woznon, 2016)

In 2018, the Central Bank of Jordan issued supervisory principles. Those principles aim at enabling banks to avoid the risks associated with money laundering and terrorist financing operations, which banks and financial institutions subject to its control may be exposed to, represented by the legal, operational, financial, reputation and other risks in the event that these institutions do not comply with the laws and instructions in force issued by the Central Bank of Jordan or the existence of Weaknesses in the control and internal control systems of these banks and financial institutions. This policy includes the general framework for the principles of control that the Central Bank of Jordan adopts according to the risk-based approach, which includes relying on quantitative and other qualitative data and using statistical models [14].

2 Statement of the Problem

Islamic banks differ from commercial banks in several aspects. Those aspects are related to the financing formulas that are adopted in Islamic banks, such as murabahah, leasing and others. In yen, commercial banks depend on the interest rate as a main source of profit generation. Accordingly, the difference between commercial and Islamic banks may have an effect on the preference for using it in illegal operations, for example money laundering, and here we have this problem to answer it. Therefore; the problem of this study is: What is the role of monitoring Islamic banks to control money laundering crimes from the viewpoint of employees in the central bank of Jordan?

3 The Study's Objectives and Questions

This study aimed to examine the role of monitoring Islamic banks to control money laundering crimes from the viewpoint of employees in the central bank of Jordan through answers following questions:

Q.1: What is the role of monitoring Islamic banks by central bank of Jordan and control money laundering crimes?

Q.2: What is the impact of monitoring Islamic banks on control money laundering crimes from the viewpoint of employees in the central bank of Jordan?

4 The Study's Significance

The importance of the study is that it is trying to find an answer to the question about the impact of monitoring Islamic banks on control money laundering crimes especially Islamic banks may differ radically in their operations with commercial banks, so it is useful to study the link between these variables.

5 Definition of Terms

The study's terms are defined below:

Islamic Banks: The financial institutions that carry out Islamic financing formulas.

Money Laundering Crimes: "is the illegal process of concealing the origins of money obtained illegally by passing it through a complex sequence of banking transfers or commercial transactions" [11].

6 The Study's Limitations

The present study was conducted in related to Islamic banks in Jordan from the viewpoint of employees in the central bank of Jordan.

7 Literature Review

Obada and Melhem [10] researched the economic importance of Islamic banking finance in Jordan, by measuring its impact on savings and investment, unemployment, inflation and GDP, during the period 2001-2016, and regression analysis was relied upon to measure this effect, and among the most important findings of its findings. It was found that there isn't any statistically significant impact for financing in the Arab Islamic Bank on both inflation, GDP and unemployment, while there is a statistically significant effect of Jordan Islamic Bank financing for the general trade, construction and housing sectors on inflation. It was found that there isn't any significant effect of financing in The Jordanian Islamic Bank is concerned with unemployment and the gross domestic product. It was found that the largest part of financing in Jordanian Islamic banks is directed to the construction and housing sector, followed by the general trade sector.

Masadeh & Al Hassan [9] explored the extent of the response of operating banks in Jordan to the anti-money laundering and terrorist financing instructions issued by the Central Bank of Jordan. The study reported a high response by operating banks in Jordan to the instructions of anti-money laundering and terrorist financing issued by the Central Bank of Jordan, and the high level of implementing the instructions of fighting money laundering and terrorist financing in the banks operating in Jordan. In addition, the results reveal that there is an effective cooperation by the competent governmental authorities in the fight against money laundering and terrorist financing with the operating banks in Jordan.

Sharrett & Zaghلامي [13] shows the importance of the Islamic Banking Financing, its evolution, its role in financing different economic sectors, and its contribution to the development in Malaysia. Furthermore, it indicates the financing mechanisms and the investment tools constituting the Islamic Banking Financing. Finally, it concludes that the effect of the Islamic Banking Financing on the Malaysian GDP is positive and statistically significant, and that the Islamic Banking Financing is important in interpreting the Gross Domestic Product in the Malaysian economy.

Zanon [15] discusses the role of banks and financial institutions in combating the crime of money laundering. The study showed that the national legislation showed that the obligations are within the laws and regulations governing the work of banks and financial institutions in light of the conclusions reached by the international group through numerous international agreements and treaties. These obligations are divided into two parts: the first section is the duty of caution and caution, and from that is the rule of Know Your Customer, record-keeping and strengthening internal control systems, and the second part, which is the duty of exploration, stipulates the necessity to report crimes in the event of a suspicion of money laundering and limitation. Banking secrecy as one of the ancient traditions of the practice of banking to combat crime and limit its repercussions nationally and internationally.

Rashid and Abdel Qader [12] analyzed the phenomenon of money laundering. The study showed that money laundering is a procedure aimed at concealing and transferring ownership of funds obtained from illegal activities and introducing them into the economic cycle in order to appear as clean money and from legitimate assets, i.e. concealing the link between the criminal and the crime. The study also showed that at the level of Iraq, the competition between banks to attract customers in order to raise the rates of profits for banks led to encouraging some bank employees and their owners to cover up financial and banking operations of illegal sources (financial or terrorist corruption) and the secrecy of accounts. All this works on the collapse of economic and national security.

Al-Fawwaz et al [3] explored the effect of Islamic finance in the Jordanian Islamic bank on some macroeconomic variables during the period (2001-2011). They used the regression method to test the hypotheses. They found that there is a positive statistically significant relationship of Islamic banking finance on the output. They found that there is a negative statistically significant relationship between Islamic finance and the rate of inflation, which means that Islamic finance enhances the production of goods and services in the economic field, which leads to a decrease in the general price level. Finally, the study recommends the need to pay attention to the role of Islamic finance, to derive new Islamic financial instruments, and to promote the study of Islamic financial engineering in institutes and colleges in universities. Entitled: "Islamic banks and their role in social and economic development",

Badi [5] examined the role of internal control for

banks to combat money laundering through problems represented in the solutions and obstacles facing internal control in banks, employees' knowledge of laws and regulations that combat and control money laundering operations. The study reached conclusions that confirm the correctness of the hypotheses, including the shortcomings and ambiguities in the definition of money laundering, money laundering operations affect the political, economic and social aspects, money laundering operations limit banking secrecy, the prohibition of Islamic law for money laundering, and all the methods leading to it because it is malicious gains.

Judges (2010) discuss the most common and current means of money laundering in the banking institutions in Jordan, the study reported that the money laundering operations are crimes that cross national borders, but international cooperation and coordination between States to combat money laundering was not the required level, which met the recommendation of the need to activate international cooperation with regard to combating money-laundering operations, and make maximum use of experiences of some developed countries that have achieved impressive results in the face of moneylaundering operations

El-Ajiz [6] aimed at identifying the procedures applied in banks operating in the Gaza Strip to control and combat money laundering operations. The study concluded that there is a commitment on the part of the banks operating in the Gaza Strip to refuse to open an account for a customer or to enter into any banking transaction in the event that they do not fulfill the procedures for identifying him, and that the banks apply preventive measures to combat money laundering in a good way, and it has also concluded that there is a decrease in the budget.

The literature review in this article indicates that most of the studies focused on the role of oversight in reducing and confronting money laundering operations that take place across the world in different ways and from different sources of funds related to crime, terrorism and others.

8 Methodology

The researcher adopted a descriptive analytical approach in order to achieve study objectives. The population of the study consists from all employees of central bank of Jordan.

Sample: The sample consists of 60 employee's works in the central bank of Jordan. Questionnaire forms were passed to those employees via email to

fill. All the forms were filled and retrieved.

The Study's Instrument

The study's questionnaire was developed based on the fact of monitoring Islamic banks by central bank of Jordan. The statements set to measure the role of monitoring Islamic banks to control money laundering crimes from the viewpoint of employees in the central bank of Jordan. The rating categories in the latter questionnaire are: never, sometimes, neutral, often and always. The scores represented by these categories are: 1, 2, 3, 4 and 5 respectively.

Validity of the Scale

The researcher passed the questionnaire to several experts in order to evaluate and all remarks was taken into consideration.

Reliability of the Scale

The reliability of the questionnaire was measured through calculating the Cronbach alpha coefficient value. The value of Cronbach alpha was 0.79 which is accepted.

The Study's Variables

The study's variables are listed below:

The independent variables: monitoring Islamic banks.

The dependent variable: control money laundering crimes.

Methods & Statistical Analysis

The SPSS program was used for analyzing the collected data. Several methods were used to analyze data statistically such as frequencies and percentages and linear regression.

9 Results and Discussion

First Question

Q.1: What is the role of monitoring Islamic banks by central bank of Jordan and control money laundering crimes?

Table 1 shows the means and standard deviations of sample answer about the reality of monitoring Islamic banks by central bank of Jordan.

Table 1. Means and Standard Deviations of monitoring Islamic banks by central bank of Jordan

No	Statements	M	S.D	Rank	Degree
3	The central bank plays an important role in monitoring all banks	3.17	1.204	1	Moderate
5	The Islamic bank does not differentiate between Islamic and commercial banks	3.15	0.874	2	Moderate
6	Instructions and procedures apply to all banks	3.08	0.976	3	Moderate
4	There are no problems in monitoring Islamic banks	3.05	0.901	4	Moderate
1	Islamic banks respond carefully to the instructions of the Central Bank	3.02	0.890	5	Moderate
2	It is in the interest of Islamic banks to have a supervisory body such as the Central Bank	3.00	0.971	6	Moderate
Total		3.09	1.118		Moderate

Based on table 1, the reality of monitoring Islamic banks by central bank of Jordan from the viewpoint of employees in the central bank of Jordan which is moderate. That is because the overall mean is 3.09 with high degree from study sample viewpoint. The overall standard deviation is 1.118.

Accordingly, it can be said that there is great importance for the work of the central bank in monitoring banks in general, and Islamic banks in particular. Islamic banks can be used for money laundering, just as commercial banks can.

Table 2. Means and Standard Deviations of control money laundering crimes of Islamic banks in Jordan

No	Statements	M	S.D	Rank	Degree
9	There is a role for the central bank in reducing money laundering operations in Islamic banks	3.33	0.913	1	Moderate
11	Islamic banks are not isolated from money laundering operations	3.28	0.926	2	Moderate
7	Islamic banks are vulnerable to being exploited for money laundering operations	3.25	0.864	3	Moderate
8	Central bank measures contribute to detecting money laundering operations	3.24	1.438	4	Moderate
12	Money laundering operations are very complex in Islamic and commercial banks	3.21	0.942	5	Moderate
10	Islamic banks understand central bank operations to counter money laundering	3.18	0.831	6	Moderate
Total		3.25	0.984		Moderate

It has been shown that central banks do not differentiate monitoring between all banks, so their

ultimate goal is to protect the state from financial shocks, in addition to preserving financial and monetary stability in Jordan.

Table 2 shows the means and standard deviations of sample answer about the reality of control money laundering crimes of Islamic banks in Jordan.

Based on Table 2, the reality of control money laundering crimes of Islamic banks in Jordan is

positive from the perspective of the employees working at the aforementioned central bank is high. That is because the overall mean is 3.25 with high degree from study sample viewpoint. The overall standard deviation is 0.984.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451(a)	.449	.432	228.89859

a Predictors: (Constant), Monitoring

Table 4. Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1098.112	365.114		2.810	.000
	Monitoring	.786	.065	.451	19.063	.000

a. dependent Variable: Laundering Crimes

The risk of money laundering in Islamic banks appears here, as is the case in commercial banks. The central bank's role in curbing money laundering crimes in Islamic banks becomes evident here.

Second Question

Q.2: What is the impact of monitoring Islamic banks on control money laundering crimes from the viewpoint of employees in the central bank of Jordan?

To measure the relationship between monitoring Islamic banks and control money laundering crimes from the viewpoint of employees in the central bank of Jordan, a simple regression analysis was performed as shown in Tables No(3, 4).

The results in table No. 3 and table No. 4 indicate that there is a positive statistically significant impact of monitoring Islamic banks on control money laundering crimes from the viewpoint of employees in the central bank of Jordan. The results also show that the coefficient of correlation between the two variables reached (0.451), and the determination coefficient reached (0.449). That indicates that the monitoring Islamic banks determine the value about of (45%) in control money laundering crimes from the viewpoint of employees in the central bank of Jordan.

These results show that the Central Bank's monitoring of Islamic banks plays a major role in

preventing money laundering crimes, due to the high relationship between monitoring and reducing money laundering in the banking system.

10 Conclusion

It was found that the reality of monitoring money laundering crimes in Islamic banks by central bank of Jordan is moderate. It was found that there is a positive statistically significant impact for monitoring Islamic banks on control money laundering crimes from the viewpoint of employees in the central bank of Jordan.

11 Recommendations

The researcher recommends the following:

- Activating the role of the Central Bank of Jordan in fighting against money laundering crimes.
- Conducting more studies on the factors that help protect Islamic banks from money laundering crimes.

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