

THE FINANCING BY ISTISNA'A BETWEEN THEORY AND PRACTICE: THE CASE OF QATAR ISLAMIC BANK

Asma BAHMED*

School of Higher Commercial Studies - EHEC (Algeria)

Email : bahmed.asma@hec.dz

Nesrine TOBNI

University of Algiers 3 (Algeria)

Email : tobni.nesrine1994@gmail.com

Received : 14/10/2025

Accepted : 02/12/2025

Published : 26/12/2025

Abstract:

Islamic financing formulas are general frameworks based on fixed principles of justice and benevolence. Islamic banks strive to adapt them according to the needs and circumstances of the era. The formulas they implement represent a genuine addition to the field of banking, closely linked to the material aspect of the economy or real production that adds something new to society. The general aim of all these formulas is to direct money towards investment and growth. We will attempt through this research paper to highlight the importance of financing through Istisna'a and its contribution to supporting industrial investment and achieving economic development, mentioning the basic approaches to Istisna'a financing contracts and their expected benefits on the Algerian economy, guided by the experience of Qatar Islamic Bank in applying this Islamic financing tool.

Keywords : Istisna'a contract, investment financing, Qatar Islamic Bank.

JEL Classification Codes: G20 / G24

1- Introduction:

Industrialized countries in our current era are economically leading, due to the critical requirements that industry provides for achieving necessary development. This necessitates that developing

* Author Corresponding

countries focus on it if they wish to make this leap in supporting their economies and engaging in the wheel of sustainable development for their societies. One of the starting points to achieve this purpose is the diverse financing formulas offered by Islamic banks, among which is the Istisna'a contract that can be relied upon to support this highly important sector. Especially since small investors face financing problems, this formula serves as a solution to the aspirations of various parties.

Based on what has been presented regarding the necessity of resorting to the Istisna'a contract as a solution to drive economic development, the following research question can be raised: What drives Islamic banks to focus their interests on Istisna'a contracts in the future?

From this issue arise some secondary questions, namely:

- What does an Istisna'a contract mean? How does it work?
- Does the Istisna'a financing method contribute to the profitability of the Islamic bank?

To answer these questions, a literature review is conducted, and we have formulated a hypothesis that well frames the scope of our study:

Hypothesis H1: The practice of the Istisna'a mode contributes positively to the net profit of the Islamic Bank of Qatar during the study period, in comparison with other financing modes.

The importance of this study is evident from the advantage that Istisna'a contracts provide not only to Islamic banks but also to several parties, ultimately aiming to achieve economic support for the country.

Thus, the main objective of this study is to introduce the reader to the meaning of Istisna'a contracts and their contribution to supporting the directions of various parties and economic sectors. Our goal is also to highlight the value of the profitable returns that would accrue to Islamic banks if they primarily adopted this formula in their activities.

To attempt to provide answers to our research question, we relied on the descriptive method in the theoretical part to examine the general concepts of Istisna'a contracts. Then, in the practical aspect, we adopted the analytical method to study the application of the Istisna'a formula at Qatar Islamic Bank during the study period 2018-2022. In order to

consolidate the results of the descriptive and analytical analysis, we deemed it important to apply the multiple linear regression model, with the aim of quantifying Istisnaa's contribution to net profit while controlling for the effect of other financing methods.

2- Literature Review:

The Istisna'a contract is used in everything that supports the movement of contemporary life, providing the possibility to enter the world of industry and meet various financing needs for Istisna'a applicants. This type of contract has allowed Islamic banks to explore new horizons for financing public needs and supporting industrial investment to drive economic development and uplift society toward a better future (Dawaba, 2004).

The Istisna'a contract emerged like other forms of Islamic financing with the aim of diversifying the financial instruments that can be used in Islamic banks. However, this contract is distinguished from others by the added value it provides to the national economy, not just the bank. Its advantages extend beyond being limited to one party.

Our study differs from previous studies by its comparative nature and its advanced financial aspect allowing to evaluate the contribution of the financing instrument by Istisna'a in the development of the bank as well as the industry of the country.

Regarding the previous studies, we mainly cite the study whose theme is titled: "Istisna'a Contract as a Financing Tool for Industrial Clusters" (Qasim, 2022), this study follows the descriptive analytical approach by reviewing previous studies and reports issued by official (governmental) institutions or the Jordan Industrial Estates Company interested in the field of industrial clusters, and also references to legal and jurisprudential references and sources related to the Istisna'a contract.

Another interesting study on « Quality Standards in the Istisna'a Contract » (Ali Nada, 2019), It aimed to show the extent to which the quality standards were achieved in the Istisna'a contract, and several results were generated, the most important of which was that the Istisna'a contract has high quality if it is a stand-alone contract and is not attached

to other contracts. The study recommended expanding the Istisna'a contract and opening the way for all private and public authorities to deal with it because of its impact on raising embarrassment.

2-1. Definition of Istisna'a:

Al Istisna'a defines itself as the operation whereby the client (Al-Moustasnii) orders the supplier (Assani'i) to manufacture goods or build a work whose characteristics are prescribed in the contract for remuneration payable in advance, in a fractionated or forward manner. They agree on the delivery time, the price, and the payment date. The commitment of both parties is irrevocable, even if payment may be deferred (Al Shattnawi, 2021).

Authors define the operation of Al Istisna'a as: "a financial contract that allows a buyer to obtain goods that he is delivered in time. The price is agreed in advance, but paid gradually throughout the manufacturing of the good" (Jouini and Pastre, 2008).

Istisna'a refers to a contract whereby a manufacturer (contractor) agrees to produce (build) and deliver a well-described good (or premise) at a given price on a given date in the future. As against Salam, in Istisna'a the price need not be paid in advance. It may be paid in instalments in step with the preferences of the parties or partly at the front end and the balance later on as agreed (Iqbal, 2007).

Furthermore, Istisna'a in the economic concept can be defined as a form of financing the production of goods in the pre-delivery stage, or the production stage, meaning financing the process of producing the goods themselves (Belkhir, 2008).

From the previous definitions, it can be concluded that Istisna'a is a financing formula offered by the bank to its clients to provide them with manufactured goods tailored to their requirements, and this is done through a contract between the two parties in an Istisna'a contract.

2-2. Status of the Istisna'a in the Shari'a

The Istisna'a is a lawful arrangement and conforms to the precepts of the Shari'a. According to the Hanafites, legality has as its source the Sunna and the practical Consensus (Ijmaâ).

In the Sunna, the Prophet himself had a ring and a 'minbar' made. As for the Consensus, the Istisna'a has always been practiced without being condemned by the Ulema (religious scholars); in fact, the four Sunni schools approve it in one form or another. The *Hanafites* approve it as a different contract from the other contracts, while the three other schools consider it to be one of the forms of the Salam contract.

However, the opinions of the *fuqahas* differ on the legal nature of the Istisna'a. While some (the *Hanafites* in particular) consider it as comparable to sales contracts, others see it as a simple promise of sale. Given the complexity of contemporary economic life, some contemporary *fuqahas* consider that the Istisna'a must be treated as a contract (having a binding character) and not as a simple promise to sell (Boudjellal, 1996).

2-3. The pillars and the conditions of Istisna'a contract: The pillars of Istisna'a according to the majority are six and they are (Al-Zarqa, 1999) :

The manufacturer; The purchaser; The subject; The price; The offer and The acceptance.

When any two parties resort to entering into a contract, it is known that a number of conditions must be met to govern this process. As for the contract of Istisna'a, we will address the conditions that must be met for this contract to be valid, in addition to mentioning the types of Istisna'a that can be dealt with.

According to International Islamic Fiqh Academy, The Istisna'a contract has specific conditions and terms, which we will mention as follows (IIFA,1992):

- That the contract of Istisna'a is, by its nature and essence, akin to a sale; it is a type of sale and not akin to a lease (lease of persons) nor merely a promise. As a result, for it to arise between two parties, the element of contract, which is the mutual consent demonstrated by offer and acceptance, must be present, as well as all the general conditions of contract formation.
- The subject of sale is the specified item and not the work of the manufacturer himself.

- The sold item in Istisna'a is presumed to be nonexistent at the time of the contract, and what is contracted is the craftsmanship and creation. This is evident in Istisna'a as it is in salam, where an exceptional reasonable door has been opened for the sale of the nonexistent due to necessity and interest. However, it is not a condition that it is actually nonexistent at the time of the contract and will be made or created later. This is inferred from the phrase "the seller is obligated to deliver it made," and we did not say "obligated to make it."
- Manufacturing contracts (Istisna'a) are only applicable to goods that are manufactured (manufactured goods), and do not apply to natural items that do not undergo manufacturing, such as fruits, vegetables, and grains. Rather, if these natural products are to be sold before their existence, the method to use is the forward sale (salam), and nothing else.
- It is necessary in Istisna'a to specify the descriptions of the sold item to be manufactured in a way that makes it known without ambiguity, as well as to determine its price. It is sufficient for validity to state the basic descriptions of each item according to its nature. As for the detailed secondary descriptions, their specification is not required for validity because there are no limits to them. However, if any of them are mentioned in the contract, it is necessary to adhere to them.
- The price does not need to be paid in advance in Istisna'a, but it must be known by specifying its type and amount. The price can be fully paid in advance, fully deferred, or in installments, just like in regular sales (absolute sale). This is a fundamental difference between Istisna'a and Salam, highlighting the advantage of Istisna'a in meeting the needs of modern transactions in our time.
- The raw materials from which the manufactured item is made, as well as all the basic or supplementary materials needed for its production, whether they require stipulation or are understood by custom, are all provided by the seller-manufacturer. The buyer-manufacturer does not provide anything of these materials because their cost is included in the price; instead, he buys the item fully manufactured.

2-4. Types of Istisna'a

There are two types of Istisna'a, which we mention as follows (Belkhir, 2008):

2-4-1. Ordinary or traditional Istisna'a : This is how a contract is made between two people:

- Client: person or business
- Maker: craftsman, contractor, or business.

The contract is for the manufacturer to make a certain item with agreed-upon standards and quantities in exchange for a set price, either right away or later, as long as the manufacturer provides the raw ingredients. There is no financial middleman in the contract between the two parties.

And this kind of Istisna'a is popular in people's life since it meets their requirements and brings big benefits to people and organizations in many areas, such as:

- In the field of personal needs: Many people acquire their necessities such as clothing, furniture, and antiques through manufacturing.
- In the industrial field: Large industrial institutions obtain what they need in terms of machinery, spare parts, and components for their final products often through contracting with small and medium enterprises.
- In the field of construction and building: Many of the contracts that take place in this field are, in fact, manufacturing contracts. Examples of this include the tenders conducted by government and private entities to complete various buildings and constructions.

2-4-2. Parallel or financial Istisna'a : It is a financing method developed by Islamic banks, and it consists of two Istisna'a contracts as follows:

- The first contract: The bank enters into this contract with the person interested in the commodity, making the bank the "manufacturer" in this contract, and the price here can be deferred.
- The second contract: It is made with specialists in the production of that type of goods to produce and manufacture the requested item according to the specifications agreed upon in the first contract. In this contract, the bank's position is that of the "manufacturer," and the price here can be immediate and, of course, lower than the first price. If the bank receives the item and it comes into its possession, it delivers it to the requester. The bank bears the warranty for defects to the manufacturer and is responsible for any deficiency in the specifications stipulated in the first contract. There is no contractual relationship

between the manufacturer in the first contract and the producer in the second contract. The difference between the price in the first contract and the price in the second contract is the bank's profit, which it deserves due to the warranty it undertook and bore in the first contract thru its ownership of the item and its assumption of its risks.

2-5. Financing methods by Istisna'a in Islamic banks

The Islamic bank can enter into this contract as a seller (manufacturer) or a buyer (purchaser), and it can also enter into this contract using the parallel Istisna'a method, as follows (Al-Aqbi, 2006): 2-5-1. The bank as a manufacturer (Sani'i): Some companies or institutions may approach the bank with a request for certain industrial products with specific specifications. The bank, thru its owned companies and factories, produces those products. It may also contract with others to manufacture those products or purchase them ready-made from the market. This is permissible according to Sharia law, as it is not a condition that the product be made by the bank; it only needs to comply with the specifications agreed upon by both parties when the contract is concluded.

The bank becomes a manufacturer if it partners with craftsmen or factories that produce goods based on a manufacturing contract. The bank can enter into financing agreements with companies by participating in their projects, and it can establish contracting companies.

2-5-2. The bank as a purchaser (Mustasni'i): The bank can act as a purchaser, meaning it can request industrial products with specific specifications that it needs for tools, furniture, facilities, and similar items for itself or for its clients who request manufactured goods from it. It can sell these products to them thru a Murabaha sale contract, partnership, bargaining, or installment sale. It can also lease them to its clients and can dispose of these manufactured materials in any manner it sees fit (Khodja, 2004).

2-5-3. The bank's use of the parallel Istisna'a method: The bank can conclude Istisna'a in its capacity as a seller with the entity requesting the work, under certain conditions and at a price paid immediately, or in installments, provided that delivery is made within a limited period. Based on this contract, the bank concludes a parallel Istisna'a contract in

its capacity as a buyer with another entity to Istisna'a the thing it committed to in the first contract In a period that is usually shorter than the term of the first contract and at a price paid in cash or in installments to the manufacturer, which is less than the price of the first contract, and upon the expiration of the specified agreed-upon period, the seller delivers the manufactured sold item directly to the bank, or to any party or place specified by the bank in the contract, after which the bank delivers the manufactured item to the buyer himself, or through any party authorized by it to deliver, Including authorizing the seller to deliver the goods to the buyer, who has the right to ensure that the seller conforms to the specifications he requested in the first Istisna'a contract, and each party remains responsible towards the other party with whom it contracted (Khodja,2004).

2-6. The financial advantages of the Istisna'a contract

The Istisna'a contract has many advantages compared to other financing methods, and its importance is evident through these advantages, which we mention as follows (Saeed, 2011):

- The scope of financing by Istisna'a: It encompasses wide sectors and fields of the national economy, as it can be involved in the industrial and real estate sectors, infrastructure, and financing the general budget deficit of the state. This makes it a good financing tool as it meets the needs of clients dealing with Islamic banks on a large scale.
- It combines the characteristics of more than one contract, including:
 - The characteristic of the lease contract in labor, and the installment of the rent in installments.
 - The characteristic of the Salam contract in exempting it from the prohibition of selling non-existent items at the time of the contract, as they will be produced later.
 - The characteristic of the absolute sale contract in allowing the price to be considered a debt that does not need to be paid immediately.
- Link to real financing: Istisna'a clearly embodies the connection between Islamic banking financing and the real market for the production and trading of goods. This fundamental characteristic distinguishes Islamic financing, unlike traditional financing which

relies solely on the creditworthiness of the client, regardless of how they use the funds for any goods they desire.

- It is permissible for the price to be a specific benefit: This allows for the possibility of executing an Istisna'a contract where the price is the benefit of the same assets to be manufactured, as in (Build-Operate-Transfer) (B.O.T) projects, which are considered one of the most important means of financing massive infrastructure projects in our time, due to the economic and financial advantages they provide to the manufacturer. They enable the establishment of projects that do not have sufficient budgets, and thru them, the burden of providing the necessary financing is transferred from the project owner to the manufacturer, who is committed to providing the capital from their own sources, or by agreement with other financing entities, or thru issuing investment bonds. A company is established to implement and operate this project, and then exploit it for the agreed-upon period, after which the project reverts to its owner, who is the manufacturer.
- It is characterized by flexibility in payment and settlement: the buyer can pay for it in advance, deferred, or in installments, which provides financing opportunities for both the seller (the manufacturer) and the buyer.
- Supporting long-term financing in Islamic banks: This leads to an improvement in the status of long-term financing compared to other financing methods that Islamic banks resort to more frequently. If the financing bank issues Istisna'a certificates for certain projects that require a large amount of funds, it would have contributed to mobilizing financial resources more significantly.
- The manufacturer bears the responsibility for the appearance of a defect in the manufactured item: The manufacturer bears the risk of a defect appearing in the manufactured item even if a subcontractor was used in the execution of the contract. It is a legal requirement of the manufacturing contract to bear the risk of defects in the manufactured item.
- Contributing to the movement of the national economy: because it involves real projects that generate income, increase effective demand, and help achieve the goals of Islamic banking by employing its funds to serve the community, and to obtain a regular

cash flow, in addition to contributing to the creation of new job opportunities that have an impact on reducing unemployment and its negative social effects, and contribute to economic and social development.

3- The practical application of the Istisna'a contract: The experience of Qatar Islamic Bank “QIB”

Given the prominent importance of the Istisna'a contract in our current era, providing the essential needs that investors require to start or continue their activities, and contributing to supporting and developing the national economy, it was necessary to address the working method of this type of contract so that the reader can familiarize themselves with the practical reality of this formula in the Islamic banking field.

3-1. Introduction to Qatar Islamic Bank

Qatar Islamic Bank is the first Islamic bank in Qatar, having commenced operations in 1982. It remains the largest Islamic banking institution in the country, currently holding a 42.3% share of the Islamic banking sector and approximately 11% of the total banking market. At the end of December 2022, Qatar Islamic Bank established itself as a major player in the Qatari and regional banking sector. In 2022, the bank reported total assets of QR 184 billion, customer deposits of QR 122.4 billion, and maintained a loan-to-deposit ratio of 95.1%, reflecting a solid liquidity position. Its profitability proved exceptional with a return on equity (ROE) of 17.8% and a return on assets (ROA) of 2.1% in 2022.

The bank offers its services in the local market through a modern branch network spread across Qatar. The main branches also provide specialized centers that include experienced relationship managers catering to specific customer segments: private banking centers, excellence service centers, as well as women's centers, in addition to having an outstanding branch network. The bank has worked on accelerating the pace of investment in electronic channels by providing its services on the bank's mobile app, online banking, cash deposit machines, and Interactive Teller Machines (ITMs), in addition to an award-winning call center.

The bank adopts a growth strategy aimed at enhancing its position and role as a leading Islamic bank with strong relationships with its customers and important partnerships with local communities. The strategy adopted by the bank closely aligns with Qatar National Vision 2030, and with the government's commitment to investing in the country's infrastructure, diversifying the economy, and developing a strong private sector.

The bank is considered a stable financial group whose services cover all segments of the financial markets, including individuals, government institutions, large companies, and small and medium-sized enterprises, providing innovative banking solutions compliant with Islamic law. The bank group owns stakes in several Sharia-compliant financial services companies in Qatar, including QInvest, which is an investment banking institution affiliated with the bank. Additionally, there are affiliated companies such as "Beema" (specializing in providing Takaful insurance programs) and Al Jazeera Finance (a consumer finance company).

3-2. The practical steps for financing by Istisna'a and parallel Istisna'a

To enter into a manufacturing contract, the parties are required to go through successive steps, which we present as follows (Rahim, Soltani, 2006):

- **Step One: The Istisna'a Contract:** The buyer expresses his desire to purchase a commodity and submits a request to the bank for Istisna'a at a certain price, agreeing on the payment method, whether deferred or in installments (the bank usually calculates this price based on what it will actually pay in the parallel Istisna'a contract, adding the profit it deems appropriate). The bank commits to manufacturing the specified commodity and delivering it within a predetermined period agreed upon (considering that this period should be longer than the period in which the bank receives the commodity under the parallel Istisna'a contract).
- **Step Two: Parallel Istisna'a Contract:** In this step, the bank expresses its desire to manufacture the item it committed to in the first Istisna'a contract (i.e., with the same specifications) and agrees with the manufacturing seller on the appropriate price and deadline.

The seller is also obligated to manufacture the specified item and deliver it within the agreed-upon timeframe.

- Step Three: Delivery and Acceptance of the Goods: The seller delivers the manufactured item (the goods) to the bank directly or to a party or location specified by the bank in the contract. In the case of direct receipt of the goods by the bank, the latter delivers the goods to the buyer directly or thru any party it authorizes for delivery. The buyer has the right to ensure that the goods conform to the specifications requested in the first manufacturing contract, but each party remains responsible to the party with whom it contracted.

3-3. The practical application of the Istisna'a contract at Qatar Islamic Bank

Financing by Istisna'a is considered an important step for the bank to support the flow of funds and the profits it generates for the bank and the various participating parties as well. This type of financing is seen as a pioneering step to support the economic cycle of any country.

Istisna'a financing is one of the Islamic financing methods used to finance the construction of buildings, residential towers, villas and related products, as well as the manufacturing of aircraft, ships, machinery and equipment.

How does the Istisna'a product work? The client owning a plot of land, wishing to build a real estate property and needing financing for this, can sign with the Qatar Islamic Bank an Istisna'a agreement concerning the construction of the building according to the specifications determined jointly on the bank account. The bank will then obtain from the customer the sale price on the basis of a deferred payment (Al Shattnawi, 2021).

3-3-1. Financial assets by Istisna'a at QIB:

The following table represents the total financing assets by type for Qatar Islamic Bank:

Table n°1: Value of financing assets by Istisna'a (unit: %)

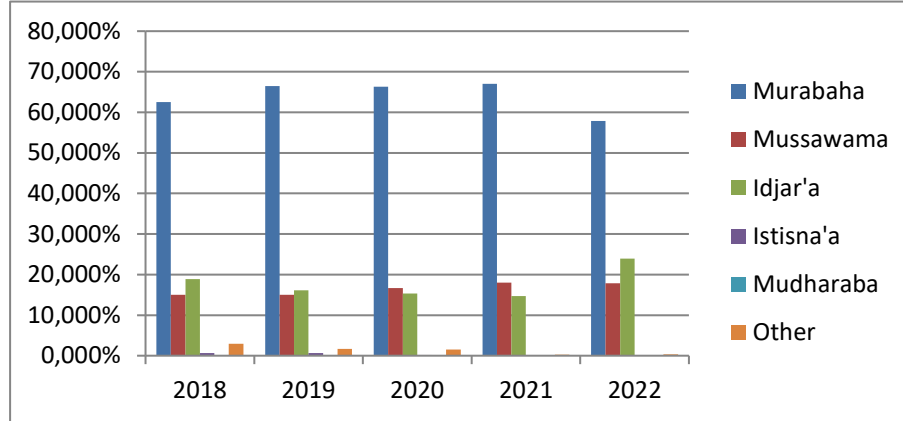
Years/Liabilities and balances	2018	2019	2020	2021	2022
Murabaha	62.484%	66.461%	66.285%	67.010%	57.865%
Mussawama	15.007%	15.015%	16.670%	18.022%	17.841%
Idjar'a	18.877%	16.142%	15.365%	14.696%	23.934%
Istisna'a	0.662%	0.682%	0.142%	0.006%	0.004%
Mudharaba	0.063%	0.015%	0.011%	0.000%	0.000%
Others	2.906%	1.685%	1.528%	0.266%	0.355%
Total financing assets	100%	100%	100%	100%	100%

Source: Prepared by us based on the data from the appendix n°I

It is noted from the table above that the total financing assets of Islamic formulas of all kinds represent a very significant value of the bank's total assets, and they also record a noticeable increase from year to year. This increase is generally due to the large contribution of the Murabaha formula, which witnesses a successive increase from year to year continuously as for the Istisna'a formula under study, its assets witnessed a successive decline throughout the study period, and this is likely due to the lack of demand for dealing in this formula by the investors themselves, which led the bank to provide fewer assets for it. (*cf. Appendix n°I*)

Therefore, as noted in the table above, the Murabaha formula's contribution to the bank's total financing assets exceeds half, and is constantly increasing. As for the contribution rate of the formula under study, which is Istisna'a, it is constantly declining from year to year. Therefore, in general, it can be said that it is not only the bank that determines the type of formula that it will focus on in its financing operations, but the investor also plays a role in that. The following figure represents a clearer picture of the previous table:

Figure n°1: Value of financing assets by Istisna'a at QIB



Source: Prepared by us based on the data from the table n°1.

3-3-2. Net revenues of Istisna'a Formula at QIB

Financing assets are a major source of support for the bank's financing operations. Employing these assets in appropriate investments, the risks of which are appropriate to the bank's tolerance, is the optimal management to generate the greatest possible revenue for the latter. The following table represents the value of net revenues achieved as a result of the bank's employment of its financing assets:

Table n°2: The contribution of the Istisna'a formula to generating net revenues at QIB (unit: %)

Years/Income	2018	2019	2020	2021	2022
Murabaha	63.201%	64.556%	61.140%	59.515%	62.799%
Mussawama	18.470%	19.524%	24.536%	26.397%	22.140%
Idjar'a	17.638%	15.458%	14.143%	13.866%	15.055%
Istisna'a	0.494%	0.447%	0.181%	0.222%	0.006%
Mudharaba	0.193%	0.012%	0.000%	0.000%	0.000%
Others	0.005%	0.003%	0.000%	0.000%	0.000%

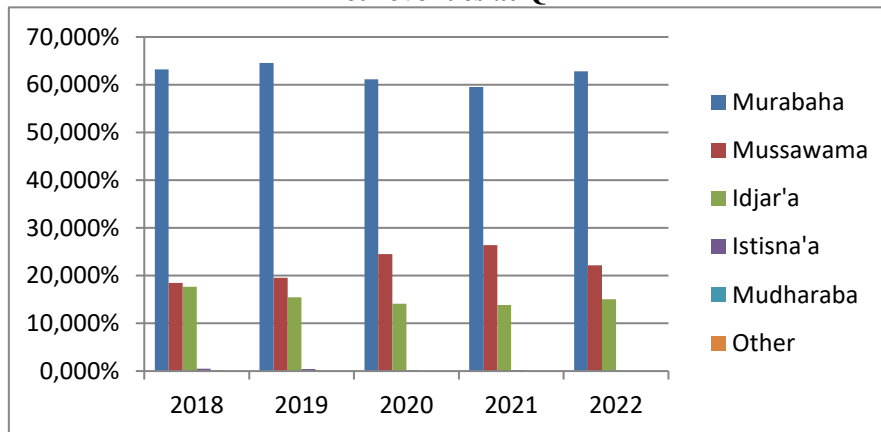
Source: Prepared by us based on the data from the appendix n°II

What is observed from the table above seems normal given the value of the bank's assets from the formulas, as the Murabaha formula

achieved the highest values of the bank's net revenues over successive years, and this is due to what the value of the assets of this formula represents in relation to the bank's total assets from financing in other formulas. As for the Istisna'a formula under study, as appears above, the value of its revenues is constantly declining This is due to the low value of the assets of this financing formula and the bank's lack of reliance on it in financing operations compared to other formulas, and it could also be due to the high risk rate in applying it. (*cf. Appendix n°II*)

The following figure further illustrates the change in the bank's revenues and the source of each revenue separately:

Figure n°2: The contribution of the Istisna'a formula to generating the net revenues at QIB



Source: Prepared by us based on the data from the table n°2.

So, as the ratios shown in the figure above show, the Murabaha formula is the largest contributor to generating net financing profits for the bank compared to other formulas. As for the Istisna'a formula, its rate of generating net profits is constantly declining, and this seems natural given the limited financing assets it has.

3-3-3. Profit margin for the Istisna'a Financing formula at QIB

Finally, what matters to each bank is necessarily the profit margin it achieves as a result of dealing with these formulas, which is what it naturally awaits to ensure continuity in its activities. We will explain the profit margins achieved by Qatar Islamic Bank as a result of dealing with the Istisna'a formula in the table below:

Table n°3: Profit margin for the Istisna'a financing formula at QIB (unit: %)

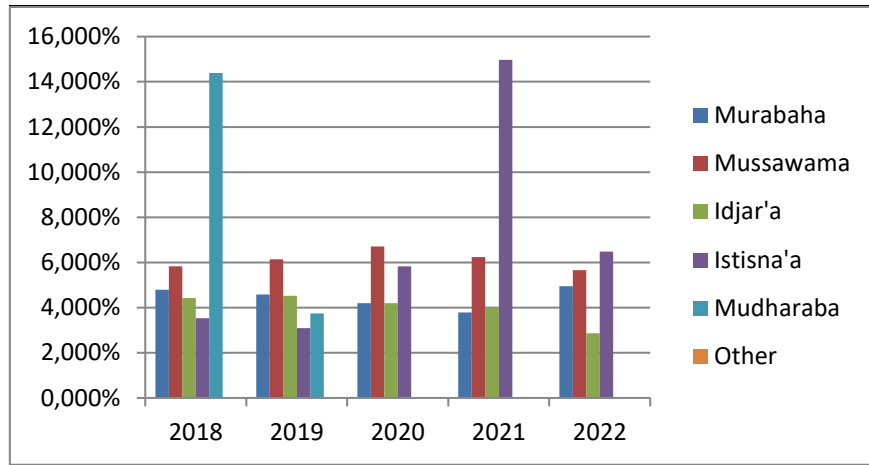
Years/Profit	2018	2019	2020	2021	2022
Murabaha	4.795%	4.582%	4.200%	3.781%	4.950%
Mussawama	5.834%	6.134%	6.702%	6.235%	5.660%
Idjar'a	4.429%	4.517%	4.191%	4.016%	2.869%
Istisna'a	3.532%	3.088%	5.833%	14.972%	6.481%
Mudharaba	14.394%	3.741%	0.000%	0.000%	0.000%
Others	0.008%	0.009%	0.000%	0.000%	0.000%

Source: Prepared by us based on the data from the appendices n° I and II.

In general, what we note from the table above is that most of the formulas whose assets and net financing revenues were lower than the assets and revenues of the Murabaha formula, which topped the figures from the beginning of the analysis, were the formulas with lower assets and revenues that achieved higher profit margins. Considering the profit margins of the Istisna'a formula throughout the years studied, they are high compared to the profit margins achieved from the Murabaha formula, The Istisna'a contract achieved approximately a 15% profit margin, the highest during the year 2021.

This is explained by the fact that the value of the revenues achieved by the Istisna'a formula from its assets for financing is higher than the value of the revenues achieved by the Murabaha formula from its assets for financing. This is what Islamic banks must pay attention to when dealing with various formulas in general, and when dealing with the Istisna'a formula in particular, as the main advantage offered by the latter is the high profit margins it achieves compared to other formulas. This feature will be clearly shown to us in the following figure:

Figure n°3: Profit margin for the Istisna'a financing formula at QIB



Source: Prepared by us based on the data from the table n°3.

Therefore, the above figure clearly shows the high profit margins of the Istisna'a formula, compared to the previous figures (1,2) respectively, which showed the extent of the decline in both the value of its financing assets and its net revenues from it.

3-4. Multiple linear regression analysis: Istisna'a's contribution to QIB's net profit:

Multiple linear regression analysis is the most appropriate test to evaluate the contribution of the Istisna'a Islamic financing mode to the net profit of Qatar Islamic Bank (QIB) during the period 2018-2022, while controlling for the effect of other financing modes.

This study tests the hypothesis that "the practice of the Istisna'a mode contributes positively to the net profit of the Islamic Bank of Qatar during the study period, compared to other financing modes."

3-4-1. Study Data :

The analysis is based on the annual financial data of Qatar Islamic Bank for the period 2018-2022, including:

- Dependent variable: QIB's annual net profit experienced a consistent growth of 45.4% over the period, increasing from 2,755.3 million QR in 2018 to 4,005.2 million QR in 2022. This progress reflects the bank's solid performance, which has

established it as the second-largest financial institution in Qatar and the largest Islamic bank in the country

- Independent variables: The profit margins of six modes of Islamic financing were analyzed: Murabaha, Mussawama, Idjar'a, Istisna'a (interest variable), Mudharaba, and Others. The data reveals a high variability in the Istisna'a margin, fluctuating between 3.09% in 2019 and an exceptional peak of 14.97% in 2021, before falling back to 6.48% in 2022.
- Descriptive Statistics: The descriptive indicators provide a first understanding of the structure and variability of the dataset, serving as the basis for the subsequent empirical analysis

Table n°4 : Descriptive Statistics of the Study

Variable	Mean	Standard deviation	Min	Max
Murabaha	4.521	0.426	3.781	4.950
Mussawama	6.153	0.306	5.660	6.702
Idjar'a	4.126	0.598	2.869	4.429
Istisna'a	6.820	5.139	3.088	14.972
Mudharaba	3.627	6.890	0.000	14.394
Net Profit	24.787	5.079	19.960	32.992

Source : Prepared by us with the help of Python software

According to this table, Istisna'a shows much higher volatility than the other instruments: with a Standard Deviation: 5.139 compared to 0.426 for Murabaha and a Range: 3.088% to 14.972% (coefficient of variation: 75.4%). We also notice a peak in 2021 at 14.972% (4.24x the mean). This volatility makes projections more reliable and suggests necessary risk management.

3-4-2. Model application:

The multiple linear regression model is written in the following form:

$$\text{Total Profit Net} = \beta_0 + \beta_1(\text{Profit margin's Murabaha}) + \beta_2(\text{Profit margin's Musharaka}) + \beta_3(\text{Profit margin's Ijara}) + \beta_4(\text{Profit margin's Istisnaa}) + \beta_5(\text{Profit margin's Mudharaba}) + \varepsilon$$

where β_4 represents the regression coefficient for Istisnaa, indicating its marginal contribution to the net profit of the study bank.

The coefficient β_4 measures the change in total net profit associated with a one-unit increase in income generated by Istisna'a, while keeping the profit margins of other financing methods constant. For example, if $\beta_4=1.15$, it means that each increase of 1 million dzd in Istisna'a income leads to an increase of 1.15 million dzd in total net income. This coefficient thus allows for the evaluation of the relative effectiveness of Istisna'a compared to other instruments.

Net Profit of the bank= $12.0140 + -0.3963 \times \text{Murabaha} + 0.4032 \times \text{Mussawama} + 0.6284 \times \text{Idjar'a} + 0.8984 \times \text{Istisna'a} + 1.0122 \times \text{Mudharaba} + 0.0002 \times \text{Others}$

Table n°5 : Regression Coefficients of Istisna'a

Financing Mode	Coefficient	Interpretation
Murabaha	-0.3963	Negatif Impact (marginal)
Mussawama	0.4032	Moderate positive impact
Idjar'a (Location)	0.6284	Moderate positive impact
Istisna'a	0.8984	Impact positif le plus fort
Mudharaba	1.0122	Impact positif le plus fort
Others	0.0002	Negligible impact

Source : Prepared by us with the help of Python software

The positive coefficient of 0.8984 in the multiple linear regression model indicates that each 1% increase in Istisna'a's profit margin is associated with a 0.8984% increase in overall net profit, all other things being equal.

The regression analysis reveals that Istisna'a financing contributes positively to the bank's net profit (coefficient = 0.8984).

3-4-3. The Hypothesis Test

Based on the previous statistical analysis, we found that the hypothesis H1: "the practice of the Istisna'a mode positively contributes to the net profit of the Islamic Bank of Qatar during the study period, compared to other financing modes" is **confirmed** by empirical data.

However, the total assets related to the Istisna'a mode appear very low compared to other modes. This observation can be justified by a set of

factors, such as the expansion of traditional financing methods (Murabaha, Mussawama), the efficiency, and the operational ease of other instruments.

The results obtained from the analysis confirm that the strategic orientation of the Islamic Bank of Qatar is to prioritize non-participatory financing methods that are faster and less exposed to risk and to limit long-term participatory operations of the Istisna'a type, although they significantly support the bank's profitability.

4- Conclusion

Finally, this study has highlighted the interest in Istisna'a financing and its impact on the profitability of Islamic banks in particular and on the development of the real economy in general.

The need for individuals and businesses to finance by Istisna'a has been increasing rapidly, whether at the level of private or public needs. The urgent need to revitalize and modernize the industrial movement, develop small and medium enterprises, create job opportunities for the unemployed, and contribute to achieving economic and social development has become apparent.

In conclusion, we urge the relevant authorities to adopt this financing model, which stands out for the added value it provides to the national economy and Islamic banks alike.

Ultimately, for Islamic banks to fully play their role as drivers of economic and social development, it is essential that they rebalance their activities between short-term financing and long-term investments. The Istisna'a instrument offers in this regard a strategic and Sharia-compliant alternative by supporting productive projects with high added value - particularly in the fields of infrastructure, industry, and environmental sustainability. Unlike Murabaha, often favored for its immediate profitability but limited in its developmental scope, Istisna'a allows Islamic finance to be anchored in a logic of collective prosperity and responsible innovation.

To strengthen this orientation, Islamic banks should:

- *Develop specialized structures for the management and monitoring of long-term projects, thereby ensuring better control over the risks associated with Istisna'a.

*Establish public-private partnerships to finance sustainable infrastructure projects and enhance their socioeconomic impact.

*Train their teams and clients on the legal, financial, and technical specificities of Istisna'a to generalize its use.

*Integrate sustainability into their overall strategy, relying on the ethical principles of Islamic finance to address contemporary development challenges.

By adopting this strategic vision, Islamic banks will not only be able to diversify their products and optimize their portfolios, but also affirm their original mission: to contribute to equitable, supportive, and sustainable growth, in accordance with the spirit of Sharia.

Bibliography

1. AL SHATTNAWI S., "*Istisna'a contracts in Islamic banking financing*", in International Review of Economic Law 2021, pp.23-47.
2. AL-AQABI T., "*Salam-Istisna'a-Musharaka Contracts: An Applied Jurisprudential Study*", PhD Thesis, Faculty of Arts, Al-Neelain University, Sudan, 2006.
3. ALI NADA A. , "*Quality Standards in the Istisna'a Contract*", in Journal of the Faculty of Sharia and Law, Issue 34, Part 4, Tanta, 2019.
4. AL-ZARQA M., Istisna'a Contract and its Importance in Contemporary Islamic Investments, Islamic Research and Training Institute, Edition n°2, 1999.
5. BELKHIR, A., "*Istisna'a Contract and its Contemporary Applications -Case Study of the Islamic Development Bank-*", Master's Thesis in Islamic Economics, Faculty of Social Sciences and Islamic Sciences, Hadj Lakhdar University, Batna, 2008.
6. BOUDJELLAL M., "*As-salam, Al-Istisnaâ, Al-Joâla, Al Mouzaraâ, Al Moussakat, Al-Mouharassa or modes of financing little used by Islamic banks*", in seminar no. 37, Introduction to Islamic financing techniques, Islamic Research and Training Institute, Saudi Arabia, 1996, pp. 163-175.
7. DAWABA A.M., "*Financing Small Projects by Istisna'a*", a scientific and practical paper presented to the Saleh Abdullah Kamel Center for Islamic Economics at Al-Azhar University, February 2004.
8. IQBAL M., *A Guide to Islamic Finance*, edition RiskBooks, London, 2007.

9. JOUINI E. and PASTRE O., “*Challenges and opportunities for the development of Islamic finance*”, in the Paris financial centre, Paris Europlace, December 9, 2008.
10. LEBOUKH M., BOUCHAMA M., “*Islamic housing finance : Istisna'a Contract Model*”, in revue Etudes et recherches, volume 11, n° 4, Algeria, 2019, pp.309-319.
11. KHODJA Azeddine, “*Development of Islamic financial products: methodology and mechanism*”, research presented at the Khartoum Forum on Islamic Financial Products, Khartoum, April 6-7, 2004.
12. QASIM M.A., “*Istisna'a Contract as a Financing Tool for Industrial Clusters*”, in Finance and Business Economics Review, volume 6, number 4, December 2022, pp.252-265.
13. RAHIM H., SULTANI M. R., “*Models of Islamic Financing for Small and Medium Enterprises: Mudarabah, Salam, and Istisna'a*”, in the International Seminar on: Financing Policies and Their Impact on Economies and Institutions - Case Study of Algeria and Developing Countries -, Faculty of Economic and Management Sciences, University of Muhammad Khidr, Biskra, Algeria, November 21-22, 2006.
14. SAEED A., *Application of the Istisna'a Formula in Yemeni Islamic Banks and Its Role in Development*, PhD Thesis, College of Graduate Studies, Al-Neelain University, Sudan, 2011.
15. Annual reports of Qatar Islamic Bank “QIB” (2018-2022).
16. Qatar Islamic Bank website www.qib.com.qa, (consulted on 24/07/2025).
17. Islamic Development Bank Institute www.isdbinstitute.org, (consulted on 30/07/2025)
18. Islamic Financial Services Board “IFSB” www.ifsb.org, (consulted on 12/09/2025).
19. IIFA International Islamic Fiqh Academy's www.iifa-aifi.org/fr/33356.html, (consulted on 02/08/2025).

Appendices

Appendix n° I: Istisna'a financing assets at QIB (unit: one million Qatari riyals)

Years/Liabilities and balances	2018	2019	2020	2021	2022
Murabaha	70 236 861	82 662 946	86 714 107	94 426 155	82 493 988
Mussawama	16 869 479	18 675 895	21 807 315	25 394 553	25 434 715
Idjar'a	21 218 805	20 076 735	20 099 935	20 708 608	34 121 390
Istisna'a	744 665	848 730	185 249	8914	5894
Mudharaba	71 323	18 311	14 111	0.000	0.000
Others	3 266 139	2 095 537	1 998 552	374 250	505 942
Total	112 407 272	124 378 154	130 819 269	140 912 480	142 561 929

Source : Annual reports of Qatar Islamic Bank (2018-2022)

Appendix n° II :Net revenues from financing activities by Istisna'a at QIB (unit: one million Qatari riyals)

Years/Income	2018	2019	2020	2021	2022
Murabaha	3 367 709	3 787 646	3 641 620	3 570 073	4 083 236
Mussawama	984 168	1 145 490	1 461 422	1 583 461	1 439 531
Idjar'a	939 868	906 963	842 361	831 756	978 896
Istisna'a	26 302	26 208	10 806	13 346	382
Mudharaba	10 266	685	0	0	0
Others	276	194	0	0	0
Total	5 328 589	5 867 186	5 956 209	5 998 636	6 502 045

Source: Annual reports of Qatar Islamic Bank (2018-2022)