

The Effect of Islamic Financing on Non-Financial Firms Listed in Pakistan Stock Exchange

Qasim Saleem

GIFT Business School, GIFT University, Gujranwala

Baber Ihsan

GIFT Business School, GIFT University, Gujranwala

Asim Ilyas

GIFT Business School, GIFT University, Gujranwala

ABSTRACT

This study examines the influence of Islamic financing on the non-financial firms listed in Pakistan Stock Exchange by evaluating the financial performance of the firms that admittance the Islamic financing over the period of Ten years (2011-2020). The study on the whole observes the influence of long-term debt, long term Islamic financing instruments and owners' equity on financial performance of listed companies in Pakistan stock exchange. The study engagements the use of information on the kind of financing measured and additional in detail return on assets and return going on equity to extent the performance of the samples firm that had admittance to check side by side of influence of Islamic financing. In this study practice deductive approach which means we would be going from narrow to broader that means we would be using this study to refer from other Islamic financing factors. We would use Quantitative study for this research. The data can be analyzed quantitatively used multiple analysis of variance and may lead to vivid result. This study's Time Horizon would be longitudinal, the 444 listed firms in Pakistan stock exchange were embark on for this study, however out of the 444 listed firms the study was capable to find 25 firms who take on Islamic financing from 2015-2020. Secondary data was collected form PSX portal and annual reports of firms. Descriptive statistics, regression, bivariate correlation analysis, multi collinearity and multivariate analysis of variances was used to analyze the variables. The relationship among long term debt and performance determinates (ROA and ROE) was significant and negative associated. The

relationship among long term Islamic financing instruments and firm financial performance determinates (ROE and ROA) was significant and positively associated. The relationship among owner equity and performance determinates (ROE and ROA) was significant and negatively associated. The results are central to course of action and by-law the ruling classes, such as capital market place powers that be to paradigm and establish policies that would adoptive business growth without turn a blind eye to the Islamic religion. The study recommends review and expansion of lawful structure to completely integrate Islamic Financing to conventional finance option in Pakistan, requirement for elevation and consciousness of the services and also recommended, further research on majority business subdivisions to understand the influence of short-term financing.

Key words: Islamic Financing, Financial Performance, Long Term Debt, Owner Equity.

1.1. Introduction

Islamic financing is a leading matter of debate now days in initial and emerging markets. It facilitates and motivates the Islamic financings, business investment decisions and financial performance of firms. It is assumed that Islamic financing plays a significant part in firm's financial performance. It is presently very much perceived that economic improvement is significant for financial development. On the other hand, in many aspects, the actual size and depth of financial system remains under developed in those markets.(Cesar, Burke, & Pet-Soede, 2003)

One of the most noteworthy decisions that a firm needs to make relates to its capital structure. The systems that associations follow when financing their developments have been extensively discussed and divided, and a couple of hypotheses have been made to explain the way financing tendencies can affect the capital arranging decision.

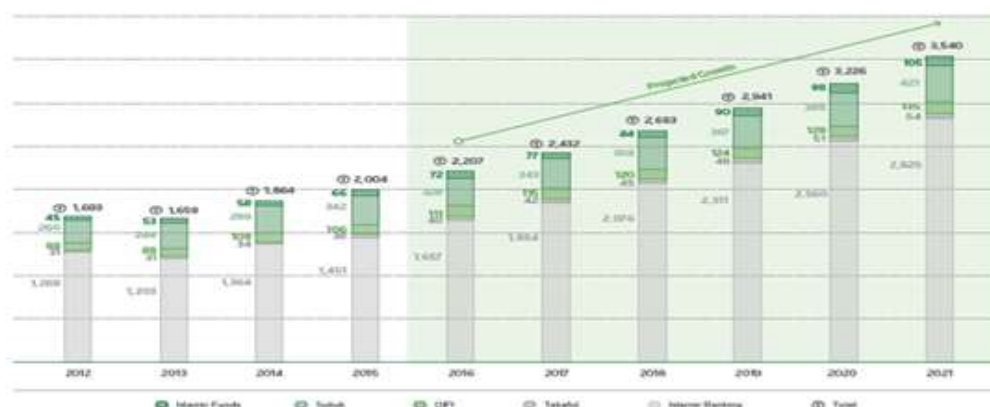
The capital design is characterized as the consolidate of internal and external debts uses in its doings. It is ordinarily realized that the worth of a firm can be boosted by limiting its capital cost. In this way, one of the significant objectives in

current key administration is to recognize the ideal capital structure. The ideal capital design is existed when the liabilities and equity can be joined to diminish the expense of capital and upgrade the organizations' productivity.

In the event that this didn't occur, and association's supervisor neglected to oversee it appropriately then it is sensible to expect that the association's capital design would influence company's development and benefit which will additionally accompany to monetary misery lastly firms can fail. Specialists in finance have never yet track down a model to decide an ideal capital construction regardless of the way that there are numerous speculations attempted to clarify the capital design {Sakurai, 2011 #80; Gill, 2011 #64} Some of these hypotheses clarify the connection between cost of capital, and worth of the firm. It has been contended that that organizations with a high development rate have a high long-term debt to Equity proportion.

Islamic Financial Assets Have Been Growing Rapidly

Global Islamic Finance Assets by Sector Growth (2012 – 2021, US\$ BN)



Source: ICD-Thomson Reuters Islamic Finance Development Report 2016

Just a set numeral of researchers proceeding capital arrangement take, nonetheless, been directed on Non-financial related firms (Minhat & Dzolkarnaini, 2017), and this lack is especially clear when researching what impacts subsidizing choices around Islamic financing. Considering the rising significance and capability of Islamic financing, it is, along these lines, basic to comprehend what components impact the performance of this new financing choice.

This proposition endeavors to add to the way toward filling this hole. . For the reason that of the inadequate studies that scrutinized the relation between Islamic financing and performance of non-financial firms in addition the deficiency of accepting this relation the involvement of this learning is to inspect this connection in a structure of Trade off theory over and done with national confirmation as of listed corporation in stock exchange of Pakistan(Agyei, Sun, & Abrokwah, 2020). Consequently, this study responses the behind inquiry: “Make sure of the Islamic financing in influencing the performance of non-financial firms listed in Pakistan Stock Exchange, using MONAVA approach in the frame of the trade-off Theory?”

Islamic financing determinants are very much reported marvel in the field of finance for assessment of firms' performance in Pakistan. The investigation explicitly tried to report the part of Islamic financing decided the performance of companies listed in Pakistan Stock Exchange. Islamic financing advancement is critical for deciding the exhibition of firms and has a lot of impact on the estimation of firms as do venture choices. Firms accept that Islamic financing ought to be created in that nation for better development and financial performance. Despite the fact that advancement of Islamic financing has considerable consideration in created nations and it has stayed easy to refute in creating nations(Rahat Khan et al., 2019).

1.2. Study background

Islamic financing is increasingly becoming an important factor lies in Non-financial firms listed Pakistan Stock Exchange which has great contribution in the development of country and firms. (Nishat & Saghir, 1991) Given the rapid growth of IFIs, particularly the emerging markets in the past two decades have extended to assess the independent influences of Islamic financings on firm performance.

At initial stage, the economic development and financial markets in Pakistan were under developed and was little in their size. Throughout these phases, Islamic

financing are first and foremost controlled by banks and other related types of financial mediators. Islamic financings has more or less no title role at that specific time or straight doubt they be existent in several system of, their magnitude is insignificant (Greenwood & Smith, 1997). The side by side of complexity and complication about financial deals, flow of resources in addition funds increases in Islamic financing with this development of Islamic financing.

On the other hand, around happens a slight observed confirmation going on the association between Islamic financing and firm performance. Persistence of this investigation is to scrutinize the role of various contributing factor of Islamic financing by dint of means of special focus on firm performance. For this purpose, the study develops the panel for pragmatic trying this relationship (Smith, Cunha, Jorissen, & Boffin, 1996).

1.3. Islamic financing in Pakistan

It is broadly realized that discoveries in interpretation consideration of Islamic financing is significant for monetary opportunity of events and organizations in any nation. Pakistani Islamic financing is one of the developing business sectors and creating in stage which influences by and large economy and organizations' performance.

Islamic finance – financial foundations, items and administrations intended to consent to the focal principles of Sharia (Islamic law) – remains single of the utmost quickly developing sections popular worldwide money related administrations. Notwithstanding, regardless of its developing significance, it is just generally as of late that endeavors have been made to assess the perspectives, recognitions and information on current and possible buyers and suppliers of Islamic finance items and administrations in Pakistan. This investigation gives a relatively scarcely any exact examinations of mentalities, observations and information on Islamic finance. Singular buyer, business firm and money related establishment mentalities to Islamic finance are inspected and quickly contrasted and the bigger group of surviving work on perspectives, discernments and information on regular

budgetary administrations and items (Pakistan, 2009).

Islamic Finance rose as another piece in the field of record, having gratefulness around the globe and moreover endeavoring to contribute their part to the headway of the overall population. Islamic Money related Instruments fundamentally segment into Sharia Compliant Finance and Sharia-based Finance. Sharia-Compliant financing relies upon those instruments which are made under the heading of Quran and Hadith. Neighboring, ministers Ijama and Qias help it to be operational.

Abundant market trends counsel a rising use of IF as a monetary sector development. It's Associate in nursing progressively visible substitute for standard banks in Muslim states and during a growing variety of states with massive Muslim populations, like the united kingdom, USA, Italy, France, China, Singapore, Korea, and Japan. In some countries, like Pakistan and Malaya, Moslem banking activity runs in parallel with the traditional banking industry. Globally, the assets of Moslem establishments have big at two-digit rates for three decades and a few standard banks have opened Moslem finance divisions. Moslem funding is established on the philosophies of Islamic law (Islamic non secular rule) and supply banking merchandise supported totally different structures and relationships than sure standard banking merchandise.

Islamic law usually prohibits charging interest on finance loaned. Consequently, interest-free sale contracts in Moslem finance use mutual monetary relationships among parties, like profit and loss sharing (Murabahah), joint ventures (Musharaka), and leases. Moslem banks could also be regulated by each central banking authority and by freelance Islamic law superordinate boards. Tutorial analysis has explored the characteristics and dynamics of Moslem finance and economic development. However, the power of Moslem finance to provide property and equitable economic process has received less consideration.(Nawaz, Abrar, Salman, & Bukhari, 2019).

1.4. Problem Statement

The key target of this study proposition towards appraisal the impact of Islamic mode of financing on performance of non-financial corporations listed in Pakistan stock exchange. Islamic financing in Pakistan is exceptionally unstable as it is extremely delicate and responsive to unforeseen stuns and news which prompts surprising development in execution. Notwithstanding, simultaneously Pakistani Islamic financing is versatile that recuperates not long after stuns. As a developing business sector, Pakistan Islamic financing isn't steady and exceptionally unpredictable because of unexpected market condition.

The study has an overall target to dissect the part of Islamic financing advancement in impacting the presentation of firms listed on Pakistan Stock Exchanges. Islamic financing advancement is impressively more significant in clarifying the general company's presentation. The examination utilizes the accompanying parts of Islamic financing improvement i.e., LTD / Owners Equity, LTIFI/Long-Term Debt, and LTIFI/OE? Keeping in see the overall target, the accompanying explicit destinations are created to accomplish the overall goals. These targets give an exact clarification of explicit moves, which are taken to arrive at the points of study.

1. Examine the relationship between long term debt and return on assets and equity.
2. Examine the relationship between long term Islamic financing instruments and return on assets and equity.
3. Examine the relationship between owners' equity and return on assets and equity.

2. Literature Review

An Islamic financing is a main indication of the monetary movement in a nation (Pierce, 1984) and affects total interest, especially through total utilization and firms' investment (Nishat & Saghir, 1991). contended the Islamic financing in connection with financing decision which influences the organizations' performance (Demirgüç-Kunt & Maksimovic, 1996). Islamic financing prompts

replacement of outside value, through open contributions or stock trade posting. Besides, Islamic financing would make open doors for new enhancement capacity which would be utilized by firms to extend.

It likewise prompts the progression of data, which would improve corporate administration, firms' performance and lower the expense of financing. Islamic financing alludes to the arrangement of monetary administrations as per Islamic wisdoms (Shariah) (Deming et al., 2015). Shari'ah boycotts intrigue (Riba) or usury, items with unnecessary vulnerability (Gharar), betting (Maysir), short deals, just as financing of restricted exercises that the situation thinks about hurtful in the direction of civilization.

The individuals who charge usury (riba'/intrigue) are similarly situated as those constrained by the villain's impact. This is on the grounds that they guarantee that usury is equivalent to trade. Be that as it may, God licenses business and restricts usury. Hence, whoever notices this instruction from his Lord and shuns usury, he may keep his previous income and his judgment rests with God. Concerning the individuals who continue in usury, they will acquire Hell, wherein they withstand until the end of time. "Usury", a term utilized in the Holy Bible (Carroll and Prickett, 2008), to mean intrigue is likewise precluded by God as can be found in Deut. 23 stanza 19: Thou shalt not loan upon usury to thy sibling; usury of finance, usury of victuals, usury of anything that is loaned upon usury. Islamic monetary shariah additionally expects gatherings to respect standards of reasonable treatment and the holiness of agreements.

Exchanges must be supported by genuine financial exercises, and there must be sharing of dangers in monetary exchanges (Al Nasser & Muhammed, 2013). Islamic fund items are contract-based and might be characterized into three general classes (Sedgh et al., 2014) first, obligation like financing organized as deals, which could be deals with increase and conceded installments (Murabahah) or buys with conceded (Bananuka et al., 2020).

Islamic finance remains at this moment a stuff section of the worldwide finance division. Whether the aforementioned appearance as a big and opposing strength within the requirements of monetary facilities is in this world up toward the Islamic economics hypothesis and its Weltanschauung leftovers to be understood. Nearby remain certain favorable hypothetical and experimental conclusions indicating in the direction of positive assistances of Islamic finance to financial enclosure, financial steadiness or maybe improved economic progress. Motionless, uncertainties keep on over whether Islamic finance is able to differentiate itself from its conventional corresponding item. Otherwise, ultimately, there are coming together in the middle of the two, with Islamic finance in the direction of almost like conventional finance.

At an equivalent time, Islamic finance remains besieged with its own issues, which include lack of standardization and harmonization, insufficient human capital and aptitude, and insufficient framework to deal with risks exceptional to Islamic finance. These concerns increase the necessity to possess existing obvious actual belongings of Islamic finance which are in mark with its Sharia intentions. (Ibrahim & Alam, 2018) In Islamic finance, an expanding integer of studies devise assessed whether Islamic finance carries positive contrast to the social order as implied through that one Islamic financial matters establishment.

The fundamental objective so far has been dominatingly on discovering whether the Islamic financial area is nearly steadier when contrasted with its regular partner. Taking the 2007/2008 worldwide monetary as a background, a few examinations recommend the flexibility of the Islamic financial area during the sum Collaborating the dauntlessness commitment of the Islamic banking, different investigations further note the force of Islamic banks to balance out credit during total slumps Still, some record higher intermediation expenses of Islamic banks when contrasted with standard banks and defenselessness of Islamic banks to genuine shocks.

As of late, more investigations have arisen to gauge different components of

Islamic banking and finance including its financial commitments as for the Islamic capital market section of Islamic finance, the premium has been basically on whether the resource classes named as Sharia-consistence are prepared to give positive danger return compromise. As of late, there has been expanding interest in sukuk with studies surveying not just the alleged abundance or worth impact of sukuk issuance yet in addition on displaying sukuk decision and sukuk default.

The equity structure compensation theory believes that corporate leverage is determined by balancing debt tax savings and unnecessary bankruptcy costs. This theory was developed in the early 1970s. Despite many major challenges, it is still the dominant theory of corporate capital structure. This idea predicts that if the law allows more generous interest, corporate debt supposed increase the tax rebate rate at a danger-at liberty interest proportion.

The debt is located reduced within the deadweight loss at the time of bankruptcy. Dynamic compensation models are generally divided into two categories: The capital structure model incorporates an important option framework. Models with exogenous inversions and models with endogenous inversions. . As predicted, interest rates and market conditions are important for leverage. There is some evidence of the impact of expected tax rates and bankruptcy laws, but determining close causality remains a challenge. In general, this theory provides an economic basis for understanding capital structure.

The compensation theory of capital structure believes that corporate leverage is decided by fiscal savings that balance debts. Therefore, the unnecessary cost of capital structure compensation theory (Abdeljawad, Mat-Nor, Ibrahim, & Abdul-Rahim, 2013) shows that way companies choose capital structure is to balance capital structure. The benefits of borrowing are mainly tax saving and therefore the costs related to borrowing, including bankruptcy costs. This compensation implies the existence of objective leverage to maximize the worth of the corporate.

The existence of a target is that the core of the idea and wishes to be adjusted for any nonconformity from the object leverage. When the value of deviating from the target exceeds the value of adjusting the target, the dynamic version of the compensation theory clearly explains the adjustment behavior of the leverage ratio (Fischer, Heinkel, & Zechner, 1989). One advantage of dynamic features is that since target matching may be a feature of compensation theory, it are often wont to verify compensation theory and other capital structure theories that don't assume target leverage. that's to mention , the idea of hierarchical order (Myers & Majluf, 1984a) and therefore the theory of your time (Baker & Wurgler, 2002) the two characteristics of compensation theory, namely the existence of the target and therefore the fit the target, are often tested together by estimating the speed of adjustment (quickness of modification) of the bull's eye. Speed of adjustment is that the percentage of deviations that a corporation eliminates in respectively period.

3. Research Methodology

Secondary data was collected form PSX portal and annual reports of firms the data is collated form the Pakistani listed stock exchange companies who adopted Islamic mode of financing over the period 2016-2020 before that 2011-2015 firms financed by traditional finance. We collect the data from Annual Financial reports and using the multi regression for observation and MONAVA model analysis technique under the umbrella of capital structure theories specifically Trade off theory.

The study takes on return on equity (ROE) and return on assets as depended variables for quantifying firm's financial performance, despite the fact a set of in depended variables by way of not the same predictable significance and association level and literature support expected influence on firm performance. The study depended on auxiliary and proportions information and quantitative exploration approach was embraced to test the theory. It is commonly viewed as more organized and formalized as it is spoken to mathematically through rates, measurements and proportions.

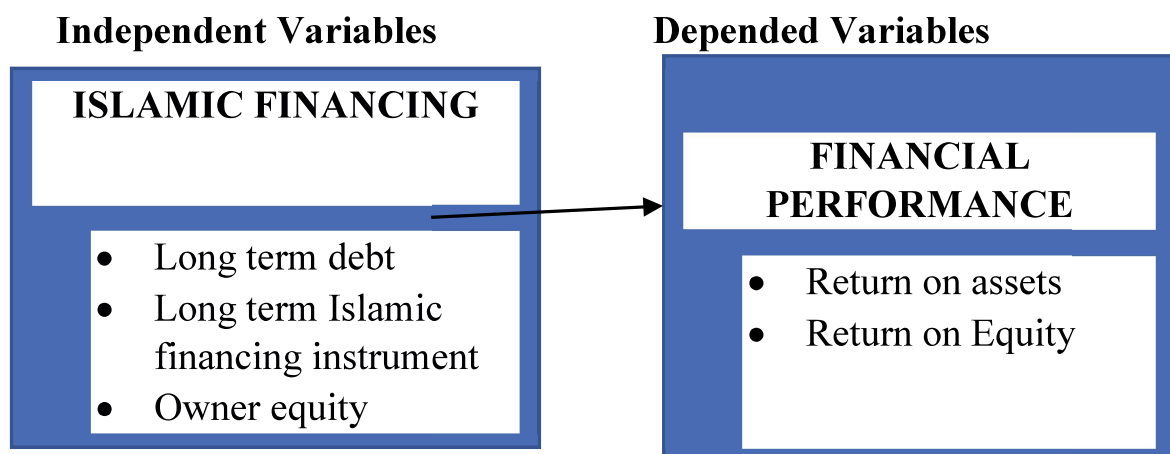
The annual records for independent and dependent variables meant intended for

the objective of analysis the hypothesis will be extracted from the financial reports of non-financial firms listed on Pakistan Stock Exchange in excess of the period 2011 to 2020 in which firms converted from traditional financing towards Islamic financing traditional financing is form 2011-2015 and in compare the firm adopted Islamic financing form 2016-2020. The data related to Islamic financing's variables like Long-Term Debt / Owners Equity, LT Islamic Financing Instruments/ LTD and Long-Term Islamic Financing Instruments / Owners Equity is collected directly from financial reports.

Non-financial area is incorporated for the exact examination while firms with missing qualities are barred so as to diminish likely predisposition (Frank & Goyal, 2009); (Kiracı & Asker; Strebulaev & Yang, 2013);). The financial parts are rejected from the investigation because of capital hold prerequisites and their attributes are unique in relation to non-financial firms. In this manner, financial and non-financial area cannot be dissected at the similar time. These organizations are liable to meet least capital prerequisite and undoubtedly follow administrative necessities of state bank (Saad & Nor, 2014).

Financial reports are one of the most persuasive reports on the endurance of the organization. Since fiscal summaries are significant for the organization, the way toward recording budget reports in an organization as a rule comprises of Statement of earnings, proclamation of changes in capital, statement of financial position, finance flows statements and notes to the account (Yuan, Azam, & Tham, 2020).

Conceptual Framework



3.1 Hypothesis of the study

Hypothesis 1

Ho: There is no statistically significant influence of LTD on ROE and ROA

H1: There is statistically significant influence of LTD on ROE and ROA

Hypothesis 2

Ho: There is no statistically significant influence of OE on ROE and ROA

H1: There is statistically significant influence of OE on ROE and ROA

Hypothesis 3

Ho: There is no statistically significant interaction influence of LTD and OE on ROE and ROA

H1: There is statistically significant interaction influence of LTD and OE on ROE and ROA

4. Results

This study examined the influence of Islamic financing taking place the financial performance of listed firms in Pakistan stock exchange for a period of 10 years, from 2011-2020. Islamic financing was indirect means by long term debt, long term Islamic financing instruments, and owner equity, despite the fact that firm performance was indirect means by return on assets (ROA) and return on equity (ROE). The descriptive consequences exposed that listed firms of Pakistan stock exchange which take on Islamic financing from traditional financing had positive association with financial performance while adopted Islamic financing and having negative association by debt and equity.

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
ROE	.123	125	.000	.936	125	.078

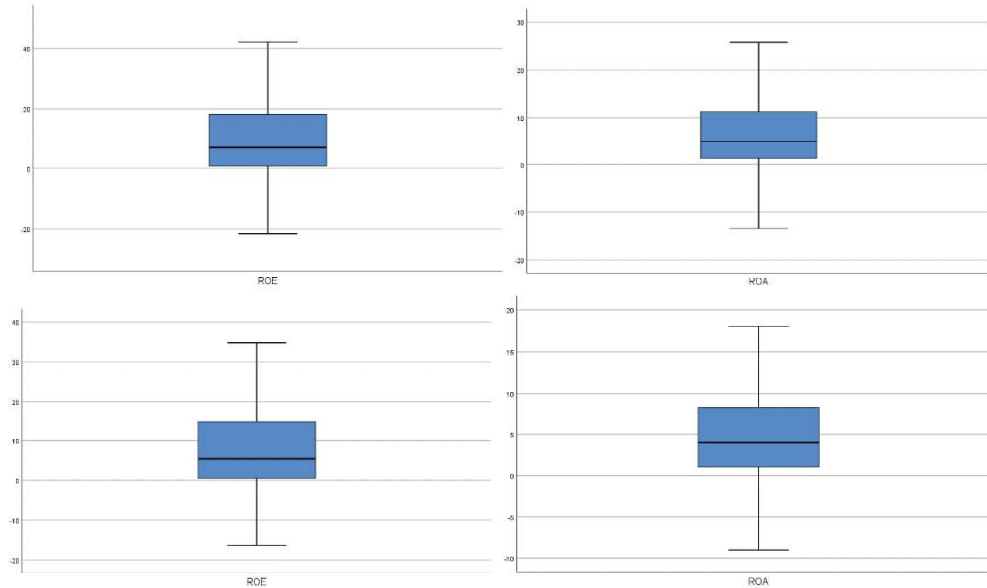
Hypothesis	Mathematical Equation
Model	$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$ it
Hypothesis 1	$H_0: \beta_1 = 0$ $H_1: \beta_1 \neq 0$
Hypothesis 2	$H_0: \beta_3 = 0$ $H_1: \beta_3 \neq 0$
Hypothesis 3	$H_0: \beta_1 = \beta_3 = 0$ $H_1: \beta_1 \neq \beta_3 \neq 0$

ROA	.108	125	.001	.972	125	.091
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The significance values of both the dependent variables ROE and ROA are above 0.05 so we accept Ho and reject H1 which means that Data is Normal.

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
ROE	.120	125	.000	.972	125	.090
ROA	.085	125	.026	.982	125	.101

Outliers



Residuals Statistics					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1278202752.00	3810012928.00	2497080061.37	534391572.925	125
Std. Predicted Value	-2.281	2.457	.000	1.000	125
Standard Error of Predicted Value	613583872.000	2157590784.000	968476350.608	363985454.513	125
Adjusted Predicted Value	996243456.00	4024019456.00	2501158098.54	569055969.586	125
Residual	-3505846016.00	44273586176.0	.000	6621064977.60	125
Std. Residual	-.525	6.633	.000	.992	125
Stud. Residual	-.541	6.676	.000	.999	125
Deleted Residual	-3780220416.00	44850462720.0	-4078037.177	6716720298.53	125
Stud. Deleted Residual	-.539	8.345	.025	1.156	125
Mahal. Distance	.056	11.963	1.984	2.522	125
Cook's Distance	.000	.194	.005	.022	125
Centered Leverage Value	.000	.096	.016	.020	125

The mean value of Malahanobiz distance is 1.984 which is less than standard value 13.82 so there is no multivariate outlier in the data set.

Residuals Statistics					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-1319854464.00	5117100032.00	2152309032.07	1027430296.450	125
Std. Predicted Value	-3.379	2.886	.000	1.000	125
Standard Error of Predicted Value	397905920.000	1470234368.00	632906968.911	224328592.446	125
Adjusted Predicted Value	-1498451328.00	5356621312.00	2148950270.55	1035128646.71	125
Residual	-4960118272.00	25858193408.0	.000	4297411831.34	125
Std. Residual	-1.145	5.968	.000	.992	125
Stud. Residual	-1.187	6.018	.000	1.005	125
Deleted Residual	-5331319808.00	26291408896.0	3358761.526	4409748304.76	125
Stud. Deleted Residual	-1.189	7.148	.017	1.089	125
Mahal. Distance	.054	13.288	1.984	2.326	125
Cook's Distance	.000	.210	.009	.034	125
Centered Leverage Value	.000	.107	.016	.019	125
The mean value of Malahanobiz distance is 0.009 which is less than standard value 13.82 so there is no multivariate outlier in the data set.					

Correlations			
		ROE	ROA
ROE	Pearson Correlation	1	.146**
	Sig. (2-tailed)		.000
	N	125	125
ROA	Pearson Correlation	.146**	1
	Sig. (2-tailed)	.000	
	N	125	125

Correlations			
		ROE	ROA
ROE	Pearson Correlation	1	.135
	Sig. (2-tailed)		.000
	N	125	125
ROA	Pearson Correlation	.135	1
	Sig. (2-tailed)	.000	
	N	125	125

Multivariate Tests						
Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	1.000	34308.125 ^b	1.000	1.000	.003
	Wilks' Lambda	.000029	34308.125 ^b	1.000	1.000	.003
	Hotelling's Trace	34308.125	34308.125 ^b	1.000	1.000	.003
	Roy's Largest Root	34308.125	34308.125 ^b	1.000	1.000	.003
LTD	Pillai's Trace	1.000	168.323 ^b	47.000	1.000	.061
	Wilks' Lambda	.000126	168.323 ^b	47.000	1.000	.061
	Hotelling's Trace	7911.181	168.323 ^b	47.000	1.000	.061
	Roy's Largest Root	7911.181	168.323 ^b	47.000	1.000	.061
OE	Pillai's Trace	.999	489.422 ^b	4.000	1.000	.034
	Wilks' Lambda	.001	489.422 ^b	4.000	1.000	.034
	Hotelling's Trace	1957.687	489.422 ^b	4.000	1.000	.034
	Roy's Largest Root	1957.687	489.422 ^b	4.000	1.000	.034
LTD * OE	Pillai's Trace	.000	381.771 ^b	.000	.000	.076
	Wilks' Lambda	1.000	381.771 ^b	.000	1.000	.076
	Hotelling's Trace	.000	381.771 ^b	.000	2.000	.076
	Roy's Largest Root	.000	381.771 ^b	1.000	.000	.076

5. Conclusion

The significance values of both the dependent variables ROE and ROA are above 0.05 so we accept H_0 and reject H_1 which means that Data is Normal. The mean value of Mahalanobis distance is 1.984 which is less than standard value 13.82 so there is no multivariate outlier in the data set. There is very little positive correlation between the variables so there is absence of Multi collinearity. From the results the significance value of LTD is larger than 0.05, so we accept H_1 and reject H_0 , which means that LTD has significant influence on the dependent variables ROE and ROA. From the results the significance value of LTD is greater than 0.05, so we accept H_1 and reject H_0 , which means that LTD has significant influence on the dependent variables ROE and ROA. From the results the significance value of LTD and OE is greater than 0.05, so we accept H_1 and reject H_0 , which means that LTD has significant influence on the dependent variables ROE and ROA.

Correlation coefficient is used to measure the strength of association between the quantitative variables. The range of correlation coefficient varies from -1 to +1 (-1

$\leq r \leq +1$). Here, the value of correlation coefficient between LTD and ROE is -0.079, which means that there is weak negative relationship between both the variables. In case of the strength of relationship between the LTD and ROA the value of the correlation coefficient is -0.068, which also shows that very weak negative correlation between these variables. Next the level of correlation between the second dependent variable OE and the independent variable LTD is -0.004, which shows that very weak negative correlation these variables. Relationship between the variable OE and ROA is also very weak because the value of correlation coefficient is -0.072.

The mean value of Mahalanobis distance is 0.009 which is less than standard value 13.82 so there is no multivariate outlier in the data set. There is very little positive correlation between the variables so there is absence of Multi collinearity. From results the significance value of LTIFI is greater than 0.05, so we accept H1 and reject Ho, which means that LTIFI has significant influence on the dependent variables ROE and ROA. From the results the significance value of OE is greater than 0.05, so we accept H1 and reject Ho, which means that LTD has significant influence on the dependent variables ROE and ROA. From the results the significance value of LTIFI and OE is greater than 0.05, so we accept H1 and reject Ho, which means that LTD has significant influence on the dependent variables ROE and ROA. From the results the value of association between the variables LTIFI and ROE is 0.119, which means that there is positive correlation in the middle of these variables.

But, on the other hand the association between the variables LTIFI and ROA is negative because the results demonstrate that the significance of correlation coefficient between these variables is -0.076. The value of association between OE and ROE is 0.187 which means that positive association between OE and ROE. Going on the association between the OE and ROA is negative, because the value of association between these variables is -0.056.

6. Recommendation for Future Exploration

The study recommends that advance exploration to stand voted for. The study recommends future research to be done on non-listed firms and small and medium scale businesses. A diverse part that the study further recommends is the level of attentiveness of Islamic financing models and its ease of use to non-Muslims community.

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