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Iranian Industrial Economics Studies



The Effect of Islamic Banking Contracts on the Industrial Sector's Value Added in Iran

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ABSTRACT

The industrial sector has an undeniable role in the development process and is recognized as the engine of economic growth and capital accumulation. On the one hand, industrial sector expands the employing opportunities for the production factors, increasing the per capita income in society, and, on the other hand, accelerates the process of economic growth through the production and supply of the needs of other sectors of the economy. Islamic banking contracts are among the factors that are of great importance in the issues of production and creation of added value in Islamic economics and can have significant effects on the added value of the industrial sector in Islamic countries. In this study, the effect of Islamic banking contracts, in terms of Musharakah exchange contracts and Qard-ul-hasanah contracts on value added of the industrial sector in Iran has been investigated during the years 2001:1 to 2018:1 (based on seasonal data). In order to estimate the effects of variables, the bounds testing and autoregressive distributed lag modeling (ARDL) approaches have been used. Regression results show that Islamic banking contracts in the short and long term have led to improvements in value added of the industrial sector in Iran, which these effects are equivalent to 0.2473, 0.2405 and 0.286, respectively.

1. Introduction

Nowadays, achieving to sustainable growth and development is one of the major issues in countries, especially developing countries. Developing countries need proper understanding of the potentials, capabilities, and constraints in all subjects and areas to compensating of backwardness, escaping political, economic, and cultural poverty and to achieve a moderate and comprehensive development that can improve the lives of all people. In this regard, the industry sector, considering the extent and variety of activities, can be an appropriate tool for balanced economic development and consequent development

of political and cultural dimensions. Currently, the industry plays a major role in production and employment, and at the same time reserve a large portion of exports, and also providing input of other sectors of the economy, so it cannot be ignored the importance and role of industry in economy (Hyatt, 2014). There are many factors affecting the performance of the industry sector, including the role of Islamic banking contracts. Islamic banking contracts is one of the factors which is very important in the issues related to production and creation of added value and can have significant effects on the

value added components, especially value added of industry sector in Islamic countries. In the banking system of Islamic countries, the credit facilities by Islamic contracts regarding to the variability of returns have a greater effect on the production and investment intensives, and the value added of production undergoes significant changes (Abuotrabi et al., 2014).

The main question of this study is, what is the effect of Islamic banking contracts on the value added of the industrial sector in Iran? Since most studies on the relationship between Islamic banking contracts with major macroeconomic variables, has been paid little attention to value added of the industry sector, especially in the Iranian economy, using ARDL model, so this study attempts to study the effect of Islamic contracts on the value added of the industrial sector in Iran during the period of 2001: 1 to 2018 (based on seasonal data).

2. Theoretical background

Today the industry sector has become a leading sector in economics comparing to other productive sectors. The growth of industry sector enables that the strength of production factors increase continuously due to the development of science and technology. As the country's industrialization grows, it will be possible to provide better the material needs of individuals in the community and to enjoy better wage and social security workforce in the industrial sector. In addition to Industry development increasing the share of industrial goods in the country's export of goods, it can be cause to create more value added and provide more national production and welfare by increasing quantity and quality of goods. It has boosted the labor and employment market, improved working-class income, and thus improved income distribution in society by increasing production and exports. It improve the income and welfare of society by helping other economic sectors and improving their productivity, and industrialization can also lead to the establishment of a socio-economic system (Vali Zadeh Chakherlu, 2016).

Experience of developed societies also indicates a direct relationship between welfare and better living standards of people with expansion of industries in those societies. In addition, the experience of developed industrialized countries has shown that industrialization has been role as a driving force for the development and growth of all economic sectors and social contexts and ultimately, significant increase in value added of industrial sector in GDP along with significant changes in political, social, and cultural spheres are all considered to be among the most significant strategic achievements of industrial development (Szimai & Verspagen, 2011).

The Islamic banking system can have a significant effect on the enhancing value added of industry sector by mobilizing and allocating the financial resources required for investment plans, and creating equal investment opportunities for savers and owners of surplus funds. In this system, financial instruments are divided into three general groups: Qard-ul-hasanah, exchange contracts (installment sale, rent on condition of sale and Joaleh) and Musharakahi contracts (legal Musharakah, civil Musharakah and direct investment) (Paytakhti Oskooe et al., 2016).

In Islamic countries such as Iran, granted facilities by Islamic contracts due to variability of returns have a greater effect on the investment incentives and promotion of production and ultimately on the growth of value added of economic sectors, especially on the added value of industry sector. In this case, activists and investors of the industry sector are more eager to receive granted facilities from this way due to the distribution of risk between the bank and the investor (Abotorabi et al., 2014). In fact, these deals aren't able to increase productivity of physical and human capitals and saving rate and to provide bases for increasing the growth of economic sectors by providing the necessary liquidity for investment projects and entrepreneurs who provide heavy banking collateral (Shahin Pour., 2009).

Whereas, in the Riba-free banking system, depositors directly contribute to the profits from the operation of Musharakah subject, unlike the usury system, this share does not have a fixed rate and depends directly on factors such as proper management, speed of operation and market presence for the product. For this reason, it will encourage the parties to work more towards the goals of the Musharakah subject. So profitability and productivity of productive activities and consequently value added of productive activities will increase (Samsami & Tavakoli, 2012).

The use of Qard-ul-hasanah for financing, whether in the Islamic banking system or personally by individuals, occurs when the borrower is unable to repay the interest (profit). Due to borrowing, production costs reduce and investment and production increase. In fact, those groups that were previously unable to produce and invest due to rising production costs and lack of access to cheap financing sources are turning to production as a result of Qard-ul-hasanah sources now, so using Qard-ul-hasanah in financing these firms, cause to increase production, especially industrial productions. In conclusion, regarding to increasing competitiveness of production and sales price and the flexibility of industrial production units, the presence, survival and continuity of these industrialists in the real economy will increase (Ahmadi et al., 2008).

Surveying empirical studies on Islamic banking shows that there is no specific study on the relationship between Islamic banking contracting with value added industry sector with ARDL model. Most studies have investigated the effect of Islamic banking on the economic development and growth in different countries using different research methods.

Muharram oghli (2016) examined the effect of the banking performance on the growth of industry sectors with emphasis on Islamic banking in Middle East and North Africa countries. Panel data technique was also used to investigate this relationship. The results showed that the performance of the banking sector and Islamic banking growth had a significant effect on the growth of industry sectors. Jafari Samimi et al. (2015) studied the effect of Islamic banking on the economic growth in the selected countries. This study was conducted for five selected Islamic countries during the period of 2002-2009. The panel data economics method with ordinary least squares (OLS) approach was also used to investigate the relationship. The results of the model estimation showed that Islamic banking had a positive effect on the economic growth of the selected countries.

Ezzati and Kazemi (2014) investigated the effect of Islamic banking on the economic growth of Islamic countries. This study was carried out on 8 Islamic countries with Islamic banks during the period of 2006-2012 and to investigate this relationship using combinational data with Ordinary least squares (OLS) Model. The regression results showed that increasing in size and share of Islamic banking have a positive effect on the economic growth of Islamic countries and cause to increase their economic growth. Mousavian and Ramzyari (2013) examined the effect of banking without usury on the economic growth in Iran. This relationship was tested using seasonal data during the period of 2001-2011 and to investigate this relationship was used autoregressive distributed lag modeling ARDL model. The results show positive effect of banking without usury on economic growth in Iran.

Bakhtia (2017) studied the relationship between Islamic banks' performance and economic growth using data from six Islamic banks related to six Islamic countries during the period of 2011–2013. The results of using Pearson's regression showed that there was a significant negative relationship between rent, Morabeh and GDP. Taraki et al. (2015) examined the effect of Islamic financial assets on the major macroeconomic variables. This study was conducted for the banking system of Islamic Republic of Jordan. To achieve this purpose was used the period of 2000–2011 in terms of panel data techniques, and were considered variables such as GDP, economic growth, domestic investment, and inflation as macroeconomic dependent variables. Finally, the regression results showed that Islamic

financial assets had a positive effect on the variables of GDP, economic growth and domestic investment, while inflation had a negative effect.

Johansson (2013) investigated the effect of Islamic banking on economic growth during the period of 1960 to 2006. This study was carried out for 75 selected countries of the world using ordinary least squares (OLS) and two-stage least squares (2SLS) methods. The results showed that there is no significant correlation between Islamic banking and economic growth in the studied countries. Abdolmanp et al. (2012) studied the causal relationship between economic growth and Islamic banking in Malaysia using seasonal data during the period of 1998–2012. The results using Toda Yamamoto causality test showed that there is a strong one-side Granger causality from Islamic financing to economic growth in the country.

3. Research Methodology

In this study the effect of Islamic banking contracts on the value added of industrial sector in Iran was examined during the period of 2001: 1 to 2018 (based on seasonal data) and the autoregressive distributed lag model (ARDL) was used to estimate the effects of the variables. Based on theoretical foundations and empirical studies, especially the Bakhta's (2017) study the examined model is presented as below:

$$\text{LnINDit} = \alpha_0 + \alpha_1 \text{LnIC1it} + \alpha_2 \text{LnIC2it} + \alpha_3 \text{LnIC3it} + \alpha_4 \text{LnHit} + \alpha_5 \text{LnKit} + \alpha_6 \text{LnCPIit} + \alpha_7 \text{LnORit} + \epsilon_{it} \quad (1)$$

IND: Indicates the added value of the industrial sector;

Islamic banking contracts include:

IC1: Qard-ul-hasanah facilities reserve

IC2: exchange contracts facilities reserve resulting from installment sales and rent on condition of sale total, and Joaleh;

IC3: Musharakah Contracts facilities reserve that is obtained from Legal Musharakah, Civil Musharakah and Direct Investment

H: Indicates human capital index that is measured by active labor force in industry;

K: denotes physical capital that is measured by gross fixed capital formation;

OR: indicates oil revenues;

CPI: It shows inflation based on the consumer price index;

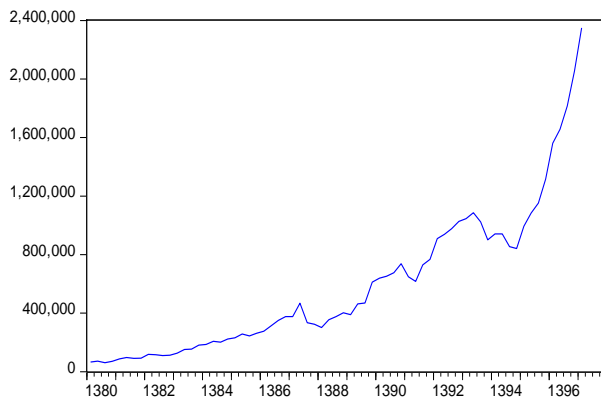
Ln represents the natural logarithm and ϵ represents the random error sentence.

Data related to variables of Islamic banking contracts, industry value added, gross fixed capital formation, consumer price index and oil revenues have been extracted from the Iranian central bank website. Information related to active labor in industry sector is also available from the Iranian Statistical Center's website. All the analysis was done in Eviews10 software.

4. Trend of variables

Figure 1 shows the trend of value added of industrial sector during the period of 2001-2007, which according to the above chart, although value added of industry had considerable decreasing and increasing fluctuations, but in general it can be said that general trend of this variable during the period under review is accessional, especially during the year 2015 upwards, which has led to more upward trend, which indicates the improvement of the industrial sector during the above mentioned years. In fact, the Iranian industry has been growing but challenging and fluctuating in the last three decades, and the business doing and macroeconomic environment had a significant effect on it. Doubling the share of industry sector in total economy and the growth of investments in the last three decades is also the most important total indicator of this sector of the Iranian economy.

Figure1. Trend of value added of industrial sector

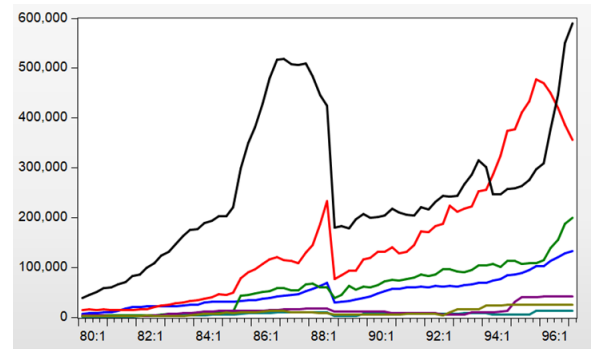


Source: Eviews Software Result

On the one hand, beginning of Islamic banking and its worldwide expansion, and on the other hand occurrence of global financial crisis and overwhelming shakiness of conventional banking and relative stability of Islamic banks, have led many thinkers to reflect more on the nature of Islamic banking. Since banks play a specialized role in updating the activities of monetary and capital institutions, especially the capital market and industrial institutions of the country, Islamic banking has emerged as a viable alternative. Islamic banking is an adjusted model of conventional banking that seeks to regulate all relationships and advisability consistent on Islamic Shariat and jurisprudence and according to basic goals of the Islamic economic

system. This particular type of banking is designed for Muslim depositors and investors who are concerned with observe the Sharia's principles in their monetary and financial activities. Despite widespread advances in development of financial instruments in Islamic countries such as Iran, the evolution of Islamic banking system in Iran has been slow and has faced serious and heterogeneous challenges, which can be observed significantly fluctuated in the figure 2. As can be seen from figure 1, Islamic banking contracts has seen an upward trend in the period under review, although it has experienced significant changes in some years and has continued to grow with an upward trend since 2015 onward. In the meantime, between these contracts rent on condition of sale and Joaleh have been more fluctuations.

Figure2. The trend of Islamic banking contracts



Source: Eviews Software Result

- Qard-ul-hasanah —
- Rent on condition of sale total —
- Joaleh —
- Installment sales —
- Civil Musharakah —
- Legal Musharakah —
- Direct Investment —

According to figure 3, which depicts trend of the inflation index (consumer price index), we are mainly seeing an upward trend during this period and only between 2003: 4 to 2004: 1 and 2016: 4 to 2017: 1 periods, we are seeing a downward trend. The reason for this remarkable upward trend is quite consistent on economic conditions of Iran. Because in Iran, the general level of prices and the living costs index have often increased rather than decreased.

Figure 4 shows trend of oil revenues. According to this chart, there are significant fluctuations. In the years when oil price has been rising, government access to this source of income

has increased significantly, but in years where oil price has been lower, and in the years with sanctions, government access to this source of income has significantly declined. As shown in Figure 5, during examined period, although human capital index (industry-active labor force) has fluctuated, but it can be stated that we can see an upward trend during examined period, that to explain this, we can mention to expansion of investments in field of improving human resource development indicators in the

Figure3.The trend of Inflation

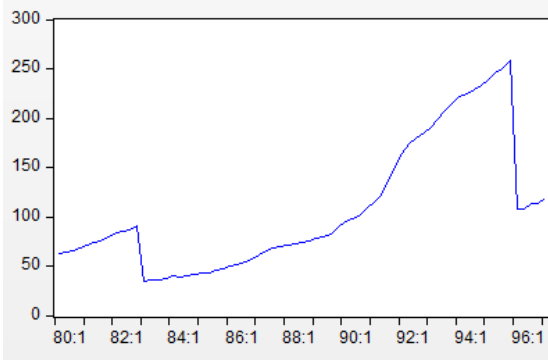
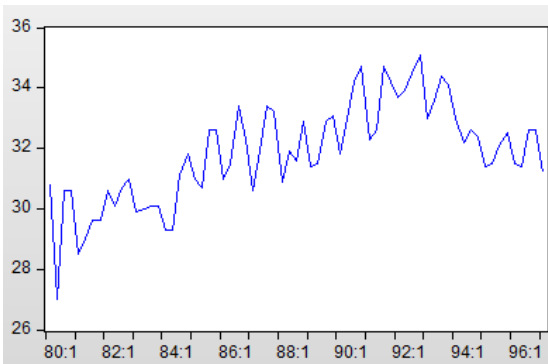


Figure5. The trend of human capital



industrial sector in recent years, although these investments are small.

Figure 6 shows trend of physical capital index (gross fixed capital formation), we are seeing a significant upward trend during the years of review. Because the industrial sector is one of the capital intensive sectors, and without significant investment in this sector, growth in added value of industrial sector would not be happen.

Figure4.The trend of oil revenues

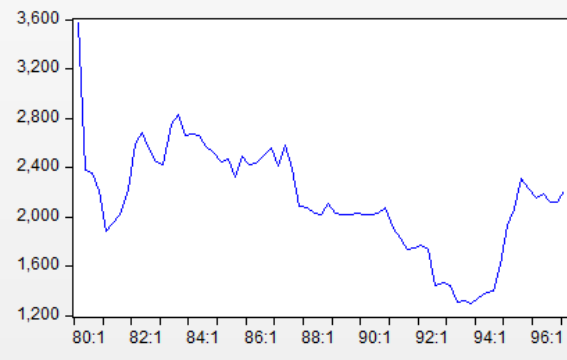
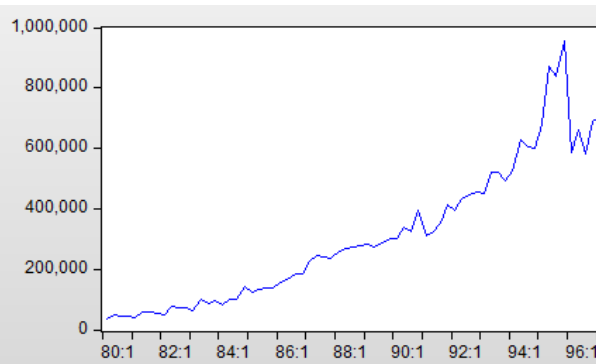


Figure6. The trend of physical capital



Source: Eviews Software Result

5. Experimental results of research

To examine stationarity of variables Augmented Dickey-Fuller (ADF) unit root test was used, which is summarized in Table 1. As it can be seen from Table 1, the variables of Qard-ul-hasanah, exchange contracts, Musharakahi contracts, value added of industry sector, human capital and inflation are non-stationary and have been stationary with first difference (I(1)), but oil revenues and physical capital are stationary at level.

Since all variables are not stationary in the same level, it is better to use ARDL method to estimate the

model. Because this model is not sensitive to the degree of co-integration of the variables and is used regardless whether the variables are I(0) or I(1). We can investigate short-run and long-run relationship, and as well as how to adjust from short term to long term using error correction model by choosing appropriate interval in the model. The results of the estimates are shown in Tables 2, 3 and 4. In estimation of autoregressive distributed lag (ARDL) model, first is estimated short-term dynamic model as Table 2.

Table 1. The results of unit root test

ADF test		
Variable	Level	First difference
LnIND	0.5622	0.0023
	(-1.7612)	(-6.8712)
LnIC ₁	0.7612	0.0001
	(-1.6731)	(-5.0912)
LnIC ₂	0.7723	0.0015
	(-1.4318)	(-6.7612)
LnIC ₃	0.7812	0.0000
	(-1.6523)	(-4.1287)
LnH	0.2075	0.0000
	(1.4985)	(-7.1088)
LnK	0.0012	-
	(-3.8235)	
LnCPI	0.5563	0.0015
	(-1.4321)	(-6.8712)
LnOR	0.0455	-
	(-3.4019)	

Source: Eviews Software Result

The results of model estimation in the short term are shown in Table 2:

Table 2. The results of estimation model in short run				
Variable	Coefficient	Std. Error	t-Statistic	Prob
LnIND(-1)	0.1342	0.0557	2.4067	0.0204
LnIC1	0.2135	0.0802	2.6614	0.0117
LnIC1(-1)	0.1750	0.0586	2.9872	0.0051
LnIC2	0.2901	0.0923	3.1418	0.0034
LnIC2(-1)	0.1068	0.0323	3.2994	0.0026
LnIC3	0.1650	0.0513	3.2140	0.0028
LnIC3(-1)	0.1861	0.1043	1.7849	0.0829
LnH	0.2377	0.0565	4.2014	0.0002
LnH(-1)	0.3120	0.4437	0.7031	0.4850
LnK	0.1308	0.0677	1.9304	0.0637
LnK(-1)	-0.3012	0.4299	-1.7006	0.4866
LnCPI	-0.6234	0.3330	-1.8715	0.0668
LnCPI(-1)	0.3952	0.2342	0.6874	0.0974
LnOR	0.2458	0.0528	4.6520	0.0000

LnOR(-1)	-0.5050	1.0007	-0.5046	0.6159
C	6.6972	3.1471	2.1280	0.0405
R ² =0.9213 Adjusted R ² =0.8824				

Source: Eviews Softwer Result

Now, to confirm the existence of a long-term relationship, Bounds coefficient test is used, which the results of this test are summarized in Table 3.

Table3.Results of Bond test

7.4561								F statistics
7								Number of variables
10%		5%		2.5%		1%		Significant level
I(1)	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)	I(0)	Upper and lower bonds
3.45	2.13	3.68	2.76	3.73	2.88	4.67	3.22	statistics

Source: Eviews Softwer Result

Whereas, the value of F statistic is 8.4561 and computationally higher than critical limit value at significant levels of 1%, 2.5%, 5% and 10%, thus there are long-term equilibrium relationship between variables of Qard-ul-hasanah, exchange contracts,

Musharakahi contracts, human capital ,physical capital, inflation, and oil revenues with value added of oil revenues. Therefore, we continue paid to estimate the long run relationship, which the results of long term estimation are shown in Table 4.

Table4. The results of estimation model in long run

Variable	Coefficient	Std. Error	t-Statistic	Prob
LnIC ₁	0.2086	0.0318	6.5421	0.0000
LnIC ₂	0.2405	0.0343	7.0124	0.0000
LnIC ₃	0.2473	0.0401	6.1621	0.0000
LnH	0.3379	0.1569	2.1534	0.0404
LnK	0.3355	0.0878	3.8191	0.0005
LnCPI	-0.6786	0.0514	-13.1845	0.0000
LnOR	0.1044	0.0344	3.0285	0.0050
C	21.0109	0.8901	23.6037	0.0000

Source: Eviews Software Result

As it can be seen that from Table 4, the results of long-term state are in same direction with results of short-term state that can be summarized as follows:

-Qard-ul-hasanah facilities has a positive effect on the value added of industry sector. The coefficient of this variable was 0.20, indicating that, with a one percent increase in Qard-ul-hasanah facilities, value added of industry sector would increase by 0.20 percent.

- The effect of exchange contracts on the value added of industrial sector is positive and significant at the 1% level. The coefficient of this variable is 0.24 which means that one percent increase in exchange contracts increases value added of industrial sector by 0.24 percent.

Musharakahi contract has a positive effect on the value added of industry sector and is significant at the 1% level. The coefficient of this variable is 0.24, indicating that, with a one percent increase in Musharakahi contracts, the value added of industrial sector increases by 0.24 percent.

-Human capital has a positive effect of 0.33 on the added value of industry sector and it is significant at level of 5%. This means that for one percent increase in the human capital index, the value added of industry sector will increase by 0.33 percent.

-Physical capital has a positive effect of 0.33 on the value added of industry sector at one percent significance level, indicating that for one percent increase in physical capital index, value added of industry will increase by 0.33 percent.

-Oil revenues have positive effect on the value added of industrial sector and are significant at the 1% level. The coefficient of this variable is 0.10, indicating that, with a one percent increase in oil revenues, the value added of industrial sector increases by 0.10 percent.

-Finally, inflation has a negative effect on the value added of industrial sector and is significant at the 1% level. The coefficient of inflation index is -0.67 which indicates that, with a one percent increase in inflation, the value added of industrial sector drops by 0.67 percent.

Table 5 shows the results of the error correction model (ECM) that display the equilibrium relationship. The ECM coefficient indicates the rate of adjustment to long-term equilibrium and is expected to be symptomatically negative (Noferssti, 1999). Indeed, this coefficient indicates that in each period, how many percent of dependent variable imbalance is adjusted and approaches to long term relationship. As the results of Table 5 show, the coefficient of ECM is smaller than one and is significant statistically. The coefficient of ECM is -0.53, which indicates that 53% of one period's imbalance will be adjusted at value added of industrial sector in the next period.

Table5. The results of the error correction model

Variable	Coefficient	Std. Error	t-Statistic	Prob
ECM(-1)	-0.5343	0.0362	-14.7318	0.0000

Source: Eviews Software Result

To evaluate the estimated model, we paid to carried out the tests of serial correlations between error terms, Variance heterogeneity, normality test, ECM and stability of structural. We use Burush-Pagan test to verify the existence or absence of autocorrelation. The null hypothesis of this test is that there is autocorrelation and the opposite hypothesis is that there is no autocorrelation. . Based on the results of Table 6, the hypothesis H0 is rejected and the hypothesis H1 is accepted, so there is no autocorrelation problem in the model.

Table6. The results of the diagnostic tests

Serial Correlation Test	
Test statistics	Prob
0.8732	0.1245
Heteroskedasticity Test	
Test statistics	Prob
0.2291	0.1173
Normality test	
Test statistics	Prob
0.8862	0.1345
Ramsey reset test	
Test statistics	Prob
0.2378	0.1421

Source: Eviews Software Result

To examine the presence or absence of Variance heterogeneity the White test was used. The null hypothesis of this test is that there is no variance heterogeneity and the opposite hypothesis is that there is variance heterogeneity, which is accepted according to the results of Table 6, so there is no problem of variance heterogeneity in the model.

The Jarque–Bera normality test was used to test the normality of model’s residuals. In this test, the null hypothesis is that the residuals are normal and the opposite hypothesis is that the residuals are non-normal, which according to the results of the above table hypothesis H0 is accepted, distribution of model’s residuals is standard normal.

To examine the accuracy form of model, the Ramsey test was used. The null hypothesis of this test is that the form of model is correct and the opposite hypothesis is that the model’s form is incorrect. The H0 hypothesis is accepted, so the model is correct.

To check for linearity we have also compiled the diagonal matrix. As can be seen from the results of Table 7, all the components outside original diameter of the matrix are less than 0.9, so there is no

linear relationship in estimation of the model and all independent variables can be fit into the model simultaneously.

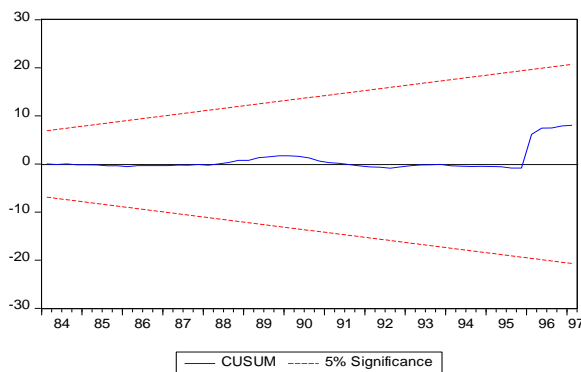
Table 7. The results of linearity test

Variables	LnIND	LnIC ₁	LnIC ₂	LnIC ₃	LnH	LnK	LnCPI	LnOR
LnIND	1.00	0.50	0.50	0.51	0.14	0.48	0.16	0.02
LnIC ₁	0.52	1.00	0.38	0.46	0.09	0.42	0.46	0.11
LnIC ₂	0.50	0.38	1.00	0.49	0.12	0.38	0.48	0.12
LnIC ₃	0.51	0.46	0.49	1.00	0.05	0.44	0.53	0.18
LnH	0.14	0.09	0.12	0.05	1.00	0.70	0.53	0.56
LnK	0.48	0.42	0.38	0.44	0.70	1.00	0.73	0.60
LnCPI	0.16	0.46	0.48	0.53	0.54	0.73	1.00	0.76
LnOR	0.02	0.11	0.12	0.18	0.65	0.60	0.76	1.00

Source: Eviews Software Result

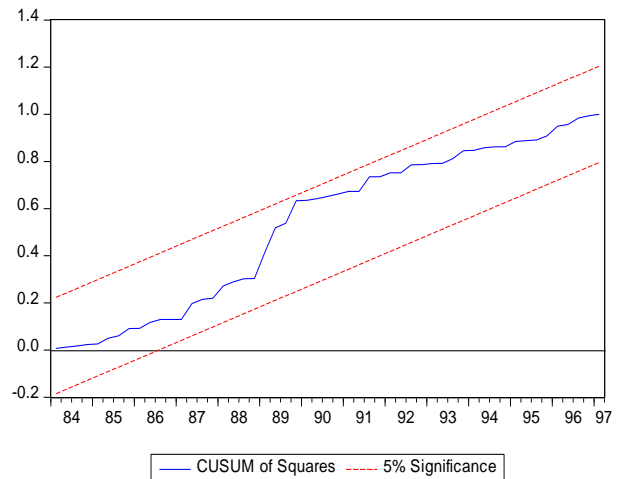
In order to ensure the stability of the estimated regression coefficients and accuracy of obtained results, the CUSUM and CUSUMSQ stability tests were performed for the estimated ARDL model. In these tests the Quantities of estimated statistical are drawn between two critical quantities at the 5% level and if it doesn't cross these two borders, the null hypothesis, that indicate the estimated regression can be stable, cannot be rejected. The results of these tests are shown in Figures 7 and 8.

Figure7. The CUSUM test of residuals



Source: Eviews Software Result

Figure8. The CUSUM test of residuals squares



Source: Eviews Software Result

6. Conclusions and Policy implications

The main purpose of this article was to investigate the effect of Islamic banking contracts on the value added of industrial sector in Iran in terms of of Qard-ul-hasanah, exchange contracts and Musharakahi contracts. Since information of variables were jointly available until the first season of 2018, so were estimated the seasonal data from 2001: 1 to 2018: 1 using ARDL method. The results of the estimations showed that all the indicators related to the Islamic banking contracts have positive effect on the added value of industry sector in the short term and long term. The policy recommendations of this study can be summarized as follow:

According to positive relationship between indicators of Islamic banking contracts and value added of industry sector, paying more attention to Islamic financing and promoting Islamic banking position in financial market of country can have a significant role in improving the value added trend of industry sector in Iran.

Regarding to positive relationship between the human capital index and value added of industry sector, government should provide necessary training for active labor force in industry sector, based on accurate, thoughtful and timely planning, and should pay more attention to human resource management by designing and implementing appropriate policies.

As regard to positive relationship between the physical capital index and value added of industrial

sector, it is better for government to provide growth opportunities for this economy sector by help to expansion of investment, given needs of industry sector.

Giving the negative relationship between inflation and the human development index, it is obvious that policies of implementing economic stabilization and control of inflation can help to upgrade the added value of industrial sector in the Iranian economy by reducing risk and uncertainty and creating economic stability.

Finally, due to positive relationship between oil revenues and value added of industrial sector, it is recommended proper management of oil revenues for achieving growth and economic development goals.

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