

The Reality of Administrative Fees Imposed on Loans from the Point of View of Islamic Bank Employees in Jordan

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Abstract

Administrative fees are one of the contemporary jurisprudential issues that appeared on the economic scene after the development of Islamic banks and the expansion of their services. Among these services are loans; which are based on the principle of providing assistance to the needy without seeking to achieve any material profit from the lender. Islamic law has set strict controls related to loan costs and the administrative fees resulting from them, so that these fees are not a pretext for usurious interest, such as the fee being equal to the actual expenses of the services provided for the loan in particular. The fee should be fixed and not related to the loan amount or term, and its amount should be known, in exchange for an actual service, or an intended and evaluated benefit in the legal view. Therefore, this study aims to identify one of the obstacles that prevent adherence to Shariah controls in Islamic banks in Jordan, especially with regard to the application of administrative fees imposed on loans, and to measure the extent of employees' knowledge of Shariah rulings, as well as to know the extent of banks' commitment to Shariah controls. To provide responses to the research objectives, Jordanian Islamic bank employees were interviewed and most of them confirmed that Islamic bank employees are versed and committed with the implementation of Shariah controls, although they have limited training on many modern dimensions in Shariah controls.

Keywords: Administrative Fees, Contemporary Jurisprudential Issues, Loans, Shariah Controls

Introduction

The origin of a loan one took must be paid. It is not permissible to evade payment if you are able to do so; because this is from eating people's money unlawfully. In the event that you are not able to pay at all, Almighty Allah says: If it is difficult, then look at a facilitator [Al - Baqarah: 280]. Nevertheless, it is essential to pay when it is available since it is a debt like all debts.

Customers agree to the administrative sheet fees, which are shown in the account opening agreements when they open an investment account for the first time, which is the last item of the agreement. It is also shown on the page of selecting the type of wallet in the "historical information of the portfolio" section, which amounts to 0.35% annually of the total value of the portfolio. The nature of the fees is an annual fee on the total value of the portfolio (that is, it calculates the value of the portfolio at the moment of calculating the fees, whether it increased or decreased with their daily fluctuations). To ensure that the annual fees are calculated fairly, the annual fees are converted into daily fees, and the value of the portfolio is calculated upon closure to avoid calculating (Al-Omrani, 2010) daily fees during a rise or decrease.

Studying loan fees in Islamic jurisprudence is important for understanding the concepts of usury and Islamic financial transactions in general. Financial systems in modern times have integrated and included a variety of fees and interests, which makes Islamic jurisprudence need to clarify the concept of usury, fees and the differences between them. Studying loan fees is an essential part of this context to understand how to deal with loans and the fees resulting from them according to Shariah provisions. The importance of studying loan fees in Islamic jurisprudence lies in understanding the Shariah and ethical principles of financial transactions. Understanding fees helps determine what is permissible and what is not permissible in terms of Shariah provisions, and also helps in evaluating financial transactions and their compatibility with Islamic values and principles. Studying fees also contributes to clarifying the differences between them and usury and stating what is required by Islamic law in cases of fees resulting from loans in modern manifestations. A loan in Islamic jurisprudence is considered a contract that creates an obligation from the lender to deliver a sum of money to the borrower, with the latter having the right to benefit from it for a specific period. The borrowed amount must be specified, and the offering party cannot benefit from the loan. The loan is divided into cash loans and commodity loans, and the treatment of each type differs according to the rules and regulations of Islamic law (Al-Dawoud, 2017).

The types of loans in Islamic jurisprudence vary based on their nature and conditions, as they can be divided into financial loans and loans that require specific goods. A cash loan includes lending sums of money, while a commodity loan includes lending specific goods such as grains or sheep. Those dealing with loans in Islamic jurisprudence must adhere to the controls and provisions related to each type of loan in accordance with the specified Shariah (Al-Dawoud, 2017) standards.

Definition of Administrative Fees

Fees: It is an amount of money that a public person collects by force from an individual, in exchange for a service he provides to him. This term is not used in the terminology of jurists in this sense. It was said: Fees are specific amounts that are estimated according to the level of services (Abdul Wahhab, n. d). It is said that it is an amount of money paid by the beneficiary in exchange for a service or a built benefit provided to him by a public utility (Girgis, 1996).

How to Estimate Administrative Fees

With regard to research and contemplation of the applications of estimating the cost of the loan in Islamic financial institutions, we find that there are two main approaches to estimating the cost:

First: Total Cost Estimation

In this approach, loan costs are estimated in total without going into the details of the types of these costs and their relationship to loans. This approach is based on looking at the total costs of the financial institution, and then analyzing the causes of these costs to determine the percentage of loans from them. Based on this analysis, the cost of the loan is estimated. This approach is followed by some Shariah bodies of Islamic financial institutions. However, this approach faces some Shariah challenges; as the total estimation may lead to doubt about the validity of the estimation due to the lack of clarity of the accounting rules that separate the costs of the loan from the costs of the other activities of the institution. Consequently, the lender may be accused of exaggerating the costs or charging the loan with costs that are not related to it.

Second: Detailed Cost Estimation

In this approach, the cost of the loan is estimated based on a detailed determination of the direct and indirect costs associated with the loan. This approach is concerned with determining the direct cost of the loan, then calculating the indirect cost based on a set of criteria. This approach is the most widely adopted approach by some of the Shariah bodies of Islamic financial institutions, as it relies on detailing and analyzing costs in a more accurate and transparent manner (Accounting and Auditing Organization for Islamic Financial Institutions, 2010).

Ruling on Administrative Fees

First: The Jurisprudential Classification of Administrative Fees

Administrative fees are considered a form of wages in exchange for real, actual services provided by the bank for the benefit of the client, such as following up on the loan and engineering supervision of implementation. Jurists have agreed on the legitimacy of leasing (Muhammad, 2004). However, there are two types of costs that banks rely on to determine fees.

Second: Types of Loan Costs

According to Islamic law, loan costs are divided into two main types: legitimate costs and illegitimate costs. These costs represent additional expenses that may arise during or after the conclusion of the loan, and their legitimacy varies based on Islamic jurisprudence.

Legitimate costs: These are the costs that the lender may request from the borrower because they are directly related to the basic loan procedures. They are costs related to the actual implementation of the loan and do not carry any additional material benefit for the lender (Ibn Qudamah, 1997). These costs include the following:

A- Fee for Measuring, Weighing, and Distinguishing the Loan

In some cases, the loan may be in kind, such as loans related to food or minerals, which require measuring or weighing to calculate their value. In this case, it is permissible for the

borrower to bear the costs of measuring and weighing, because these costs are directly related to the process of implementing the loan and do not bring any additional benefit to the lender. As stated by Al-Izz bin Abdul Salam in *Qawa'id Al-Ahkam* (1\287) and also stated in "*Al-Bahr Al-Ra'iq. Ibn Nujaym* 5\330": "As for the fee for cashing the debt, it is on the debtor." This means that any cost necessary to calculate the borrowed quantity is considered legitimate as long as it relates to the practical procedures for repaying the loan.

B- Transportation or Transfer Fees

In the event that the loan is a physical commodity that must be transported from one place to another, the costs associated with transportation are borne by the borrower, provided that these costs are part of the process of delivering the loan properly and in accordance with the contract. These costs are considered legitimate if there is no illegitimate condition that obliges the borrower to bear additional costs in order to achieve an additional benefit for the lender. For example, if a quantity of grain is loaned in a certain country and must be transported to another country, the borrower bears the cost of transportation. It is stated in "*Al-Mabsoot*" that "there is no harm in lending him without a condition and writing him a bill of exchange", meaning that transferring the loan to another country is permissible if there is no prior condition that leads to an additional benefit for the lender. See the loan section, as they are explained there (Al-Sarakhsi, 1993).

C- Documentation Costs and Legal Fees

Sometimes, a loan may require official or legal documentation to guarantee the rights of the parties, such as fees related to documenting the contract, lawyers' fees, or administrative costs associated with registering the loan with official authorities. These costs are considered legitimate as long as they are necessary to guarantee the rights of the lender and the borrower, and do not carry any illegitimate benefit for the lender. Jurists have stated that "whatever costs are necessary to complete the contract and preserve rights may be compensated for.

2. Illegitimate costs are costs that the lender is prohibited from demanding or imposing on the borrower, because they lead to an illegitimate benefit for the lender, and this is considered forbidden usury. Illegitimate costs include the following:

A- Stipulating an Additional Benefit

Any condition that includes achieving a material benefit for the lender, such as stipulating that the loan be returned with an increase, or imposing additional unjustified fees, is considered forbidden usury. It was stated in the noble hadith: "Every loan that brings benefit is usury, and this includes any unjustified benefit that the lender achieves from the loan. Jurists have unanimously agreed on the prohibition of any additional benefit for the lender that exceeds the recovery of the principal of the loan.

B- Late Interest

Any additional amount requested from the borrower in the event of a delay in payment is considered forbidden usury, whether it is represented by a financial increase or late fees. Jurists have unanimously agreed that the extra interest or additional amounts imposed on the borrower due to delay are considered usury, (Muhammad, 2004). and Islamic law prohibits them categorically.

Research Methodology

This study addresses the reality of applying administrative fees due on loans from the perspective of Islamic bank employees in Jordan. The researcher adopted a comprehensive research methodology that combines the descriptive and quantitative analytical approach to explore the dimensions of the topic from several perspectives related to Shariah standards, administrative procedures, and regulatory mechanisms. The study began with an integrated theoretical framework based on a review of the literature and previous studies to determine the main hypotheses, which included evaluating employees' knowledge of Shariah provisions, the efficiency of Shariah committees within banks, and the extent of financial institutions' commitment to Shariah controls, in addition to analyzing the relationship between fines policies and the level of debtors' commitment to paying fees.

The researcher relied in designing the study on selecting a representative sample of Islamic bank employees in the Hashemite Kingdom of Jordan, based on statistics from the Central Bank of Jordan for the year 2023, which indicated the presence of about 1,500 employees in the banking sector. A research sample of 320 employees was then selected using the stratified probability sampling method, which included different job categories such as department managers, financial analysts, support staff, customer relations officers, etc. Data was collected through a questionnaire and was specifically designed to measure variables related to the application of administrative fees in accordance with Shariah controls, in addition to conducting semi-structured interviews with some officials to obtain qualitative insights that support the quantitative analysis. The study tools were also subjected to tests of apparent and structural validity (through review by experts from Jordanian universities) and stability tests using exploratory factor analysis and Cronbach's alpha test. After collecting the data, the researcher moved to the statistical processing stage using SPSS version 25, where percentages, arithmetic means and standard deviations were calculated for each item of the questionnaire. The normal distribution test was also conducted using Skew and Kurtosis values to ensure that the data conformed to the statistical assumptions. To interpret the main hypotheses, t-tests and analysis of variance (ANOVA) were used, followed by subsequent comparison tests using the Scheffé Test to determine the subtle differences between job categories and levels of academic qualifications. The results show that bank employees have a good level of knowledge of Shariah provisions and controls, as the arithmetic averages of knowledge items reached about 3.93 out of 5. Items such as "employees' knowledge of the provisions and controls of administrative fees" and "the ability to interpret Sharia controls" recorded high scores of 3.95 and 3.89, respectively. The average use of Shariah knowledge by employees in determining fees was 4.00, which confirms the acceptance of the first hypothesis that employees are sufficiently aware of Shariah provisions. However, the item "availability of the necessary training for bank employees", which received an average of 3.88, indicates the need to improve training programs to cover all needs. As for the role of Shariah committees within banks, the study addressed this aspect through several evaluation items. In the item "The primary reference in approving the value of administrative fees is the Shariah committee affiliated with the bank", an average of 3.69 was recorded, while the item "The presence of a Shariah committee that decides the value of fees in line with the quality of services provided" recorded a lower average of 3.49. These results show that Shariah committees play a fundamental role in monitoring the implementation of Shariah controls, but their effectiveness may need to be enhanced by restructuring their work mechanisms and determining accurate performance indicators.

In addition, the study addressed banks' commitment to Shariah controls, where the overall average for commitment items was about 3.68. The data shows that most banks rely on fatwas issued by Shariah councils and consider Shariah committees the primary reference for approving fees, although this commitment is not complete in some branches that may need to enhance control procedures.

With regard to the policy of imposing fines, the results indicated that banks adopt a strict mechanism to ensure debtors' commitment to paying fees; the item "The bank fines the customer by increasing administrative fees if he is late in paying" recorded an average of 4.31, while the item "The bank manipulates the increase in fees by introducing indirect expenses" received a high average of 4.39. These results confirm the effectiveness of fines as a mechanism to ensure compliance, but their increase may negatively affect the relationship with customers, which requires reviewing these policies to find an appropriate balance.

As for the differences in the application of Shariah controls according to job title, the researcher used the ANOVA test to evaluate the differences between employees with different titles. The results showed statistically significant differences $F = 12.45$, $p < 0.001$ between the categories of support employees, financial analysts, department managers, and relationship officers. Table (1) below shows a description of the data according to job title:

Table 1

Description of data by job title

Job Title	Number of sample members	Arithmetic mean	Standard deviation
Support Officer	50	3.40	0.45
Financial Analyst	70	4.20	0.50
Department Manager	60	4.50	0.55
Customer Relations Officer	40	3.80	0.60
Other Administrative Jobs	10	3.60	0.50

The data in Table 1 indicates that department managers show the highest evaluation scores for the application of Shariah controls, while support staff show lower evaluations, which calls for the development of training programs directed at this category to raise their awareness. In addition, the researcher analyzed the effect of academic qualifications on the application of Shariah controls using the ANOVA test, and the results showed significant differences between employees who obtained training courses or academic certificates in the fields of Islamic Shariah, Islamic finance, and Islamic banks.

Table (2) shows the results of the ANOVA test for academic qualifications:

Table 2

Results of the ANOVA test for Academic Qualifications

Source of Variance	Degrees of Freedom	Mean Square	F Value	Significance level
Between groups	2	0.625	3.10	0.049
Within groups	227	0.196		

The results in Table 2 indicate that there are statistically significant differences between the groups, as the difference between employees with certificates in Islamic Shariah and those in Islamic finance was statistically significant, confirming that the quality of training significantly affects the level of implementation of Shariah controls.

To delve deeper into the differences between the different categories, the researcher used the Scheffé Test as a post-hoc comparison to accurately identify the groups that differ from each other. The results showed that the differences in the evaluation of support employees from the rest of the categories were statistically significant, confirming the need to improve training and awareness programs for this category.

In addition, the researcher analyzed the compliance data and the fines policy, where the results indicated that imposing fines is an effective mechanism to ensure payment of fees, but it should be reviewed to avoid negative effects on the relationship with customers. Items such as “The bank fines the customer by increasing fees in the event of delay” recorded a high average, indicating strict implementation of this policy.

Conclusion and Recommendations

The study shows that bank employees have good knowledge of Shariah controls and that banks show a good level of commitment to their implementation, but there are clear gaps related to the effectiveness of Shariah committees and the disparity in the level of training between different categories. In this context, the researcher recommended several administrative, organizational and operational recommendations, including enhancing training programs, activating the role of Shariah committees by restructuring their work mechanisms and determining accurate performance indicators, in addition to reviewing the mechanisms for imposing fines to be balanced and enhance the relationship with customers. On the other hand, the researcher suggested using advanced information systems that contribute to recording and monitoring all operations related to the application of administrative fees, and creating a performance indicators dashboard (KPI Dashboard) that displays immediate data on the level of commitment, as well as conducting a comprehensive periodic assessment of the extent of the application of Shariah controls using internal and external satisfaction surveys. The study also recommends coordinating efforts between financial, legal and Shariah departments and establishing an internal unit specialized in monitoring the application of fees.

In addition, the researcher recommended that future comparative studies be conducted between the experiences of Islamic banks in various Arab countries, in addition to conducting in-depth qualitative research to investigate the factors affecting the application of Shariah controls from the perspective of employees and customers alike. In conclusion, the results of

the study confirm that the correct application of Shariah controls in administrative fees not only contributes to enhancing justice and transparency in financial transactions, but also contributes to building customer confidence and improving the bank's image in the financial community. Therefore, implementing the proposed recommendations constitutes a vital step towards developing internal policies and achieving sustainable growth and development in the Islamic banking system.

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