

Does Financial Crisis Reduce Islamic Banks Performance? Evidence from G.C.C. Countries

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Abstract

This paper examines and compares the Islamic banks performance in GCC countries before and after the recent financial crisis by looking at the impact of crisis on profitability, liquidity, risk and solvency, and efficiency. This study, including 20 Islamic banks over the period 2005-2009, approaches an analysis of inter-temporal performance. The results show that financial crisis affected negatively Islamic banks performance. In addition factors related to Islamic bank business model limit the adverse impact on performance in 2008. However when the crisis affects the real economic activity in 2009, a large decline in performance was noted. Islamic banks profitability was better after crisis in Saudi Arabia, Bahrain and Kuwait. Liquidity was more affected in UAE, Bahrain and Qatar. Islamic banks in UAE take excessive risk during and after crisis compared to other countries.

Keywords: Islamic banks, crisis, performance, GCC countries

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