World Academy of Science, Engineering and Technology International Journal of Economics and Management Engineering Vol:11, No:01, 2017

Market-Power, Stability, and Risk-Taking: An Analysis Surrounding the Riba-Free Banking

Authors: Louati Salma, Louhichi Awatef, Boujelbene Younes

Abstract : Analysis of the trade-off between competition and financial stability has been at the center of academic and policy debate for over two decades and especially since the 2007-2008 global financial crises. We use information on 10 OIC countries from 2005 to 2014 to investigate the influence of bank competition on individual bank stability and risk-taking. Alternatively, we explore whether the quality of prudential regulation may affect the nexus between competition and banking stability/risk-taking. We provide a particular attention to the Islamic banking system which principally involves with the Riba-free instruments as compared to the conventional interest-based system. We first run a dynamic panel regression (GMM), and then we apply a panel vector autoregressive (PVAR) methodology to compare both banking business models.

Keywords: Lerner index, Islamic banks, non-performing loans, prudential regulations, z-score

Conference Title: ICBEFMS 2017: International Conference on Business, Economics, Finance and Management Sciences

Conference Location: Paris, France Conference Dates: January 23-24, 2017