

A Comparative Analysis of Islamic and Conventional Banks' Performance during the Financial Crisis: Application to the UAE

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Purpose: The aim of this research paper is to examine the impact of the financial crisis on banks' performances in the UAE. This paper also examines Islamic finance as an alternative financial system and a potential long term solution to financial instability.

Research methodology: A comparison of the performance of Islamic and conventional banks pre, during and post the crisis is used to establish whether Islamic banks are better able to absorb financial shocks. Six hypotheses were formed to test the effect of crises on the banks, these are tested through analytical and comparative analysis of profitability, liquidity, leverage, market share, and growth rate ratios for both banking sectors in the UAE.

Findings: The paper provides insight into the impact of the financial crisis on the performance of both Islamic and conventional banks in the UAE and stresses the stability of the Islamic finance system.

Practical implications: The findings presented in this paper can be used by policy makers, regulators and practitioners in both the Islamic and conventional financial sector as it provides insights into the ability of UAE banks to absorb a financial shock.

Originality and value: This paper contributes to the understanding of Islamic finance principles and its value as a solution to the current and any future financial crises. The findings of this research will be of interest to conventional and Islamic financial practitioners, policy makers and academicians.

Keywords: Financial crisis, Islamic finance, banking stability & financial ratios.