

Accepted Manuscript

The ‘competition–stability/fragility’ nexus: A comparative analysis of Islamic and conventional banks

Md. Nurul Kabir, Andrew C. Worthington

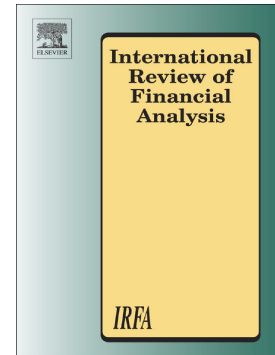
PII: S1057-5219(17)30024-8
DOI: doi: [10.1016/j.irfa.2017.02.006](https://doi.org/10.1016/j.irfa.2017.02.006)
Reference: FINANA 1082

To appear in: *International Review of Financial Analysis*

Received date: 26 February 2016
Revised date: 19 December 2016
Accepted date: 10 February 2017

Please cite this article as: Md. Nurul Kabir, Andrew C. Worthington , The ‘competition–stability/fragility’ nexus: A comparative analysis of Islamic and conventional banks. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. *Finana*(2017), doi: [10.1016/j.irfa.2017.02.006](https://doi.org/10.1016/j.irfa.2017.02.006)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



The ‘competition–stability/fragility’ nexus: A comparative analysis of Islamic and conventional banks

Md. Nurul Kabir ^{a*}, Andrew C. Worthington ^b

^a *Charles Darwin University Business School, Charles Darwin University, Australia.*

^b *Department of Accounting Finance and Economics, Griffith Business School, Griffith University, Australia.*

Abstract

The ‘competition–stability/fragility’ nexus is one of the more debated issues in the banking literature. However, while there is ample evidence concerning the relationship between competition and stability/fragility in different countries and regions, no prior study investigates this in the context of Islamic and conventional banks. We do this using data on both types of banks drawn from 16 developing economies over the period 2000–12. We measure the lack of competition using the Lerner index, and stability using both accounting-based measures, comprising the Z-score and the nonperforming loan ratio, and market-based measures, including Merton’s distance to default. We employ panel vector autoregression and two-stage quantile regression to estimate the relationship. Our results lend support to the competition–fragility hypothesis in both Islamic and conventional banks. We also find the magnitude of the market power effect on stability is greater for conventional banks than Islamic banks. Lastly, banks in the median quantile of stability have a greater ability to reduce credit risk through gaining market power than banks in the lower and upper quantiles.

JEL classification: G21; G28; G32

Keywords: Competition, Stability, Lerner index, Panel vector autoregression, Z-score, Distance-to-default

* Corresponding author. Charles Darwin University–Sydney, Level 9, 815 George Street, Haymarket NSW 2000, Australia. Tel.: +61 2 8047 4141
E-mail addresses: mdnurul.kabir@cdu.edu.au (Md. Nurul Kabir), a.worthington@griffith.edu.au (A.C. Worthington).

Download English Version:

<https://daneshyari.com/en/article/5084394>

Download Persian Version:

<https://daneshyari.com/article/5084394>

[Daneshyari.com](https://daneshyari.com)