



Libyan International Medical University
Faculty of Business Administration
Department of Finance and Banking Management
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The Determinants of Islamic Banks' Performance in Kuwait

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Dedication

I dedicate this graduation project to all the people who have supported me during this time. Especially Prof. Dr. Sabri Elkrghli and Dr. Bashar Almansour as a token of my appreciation for their patience and support over the last several months.

This dissertation is lovingly dedicated to my family and friends who have given me their fullest help, support, and encouragement throughout the completion of this dissertation.

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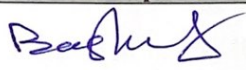


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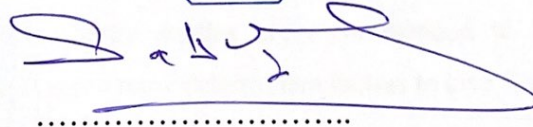
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Acceptance and Approval

The graduation project titled "The Determinants of Islamic Banks' Performance in Kuwait" has been prepared by Ali Adel Ali Buhnaik.

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Abstract

The purpose of this study is to investigate the determinants of Islamic banks' financial performance in Kuwait. Secondary data is collected from the whole population of Islamic banks in Kuwait for 11 years from 2012 to 2022 yearly; this secondary data is extracted from Islamic banks' financial statements for bank-specific determinants and the international monetary fund for macroeconomic determinants. This research uses panel data by using fixed versus random effects analysis to run the regression model. Fixed effects results are used for interpretation based on the Hausman test. Based on the empirical analysis, liquidity and gross domestic product growth affected positively on the financial performance of Islamic banks. Whereas, capital adequacy ratio, leverage ratio, cost management, bank size, and inflation rate have negative effects on Islamic banks' financial performance. The results of this study are essential for bank managers, investors, economists, regulators, and policymakers. In terms of limitations, this study was concentrated on studying particular variables of Islamic banks' financial performance determinants and the sample used in this research was only four Islamic banks in one country. Finally, future studies are recommended to use more population and sample size and more determinant factors to give findings that are more accurate.

Keywords: Islamic banks, financial performance, profitability, liquidity, capital adequacy ratio, leverage, cost management, bank size, inflation, gross domestic product.

المخلص

الغرض من هذه الدراسة هو التحقق من محددات الأداء المالي للمصارف الإسلامية في دولة الكويت. تم جمع البيانات الثانوية من جميع عدد البنوك الإسلامية في الكويت لمدة 11 عامًا من 2012 إلى 2022 سنويًا. تم استخراج هذه البيانات الثانوية من البيانات المالية للمصارف الإسلامية لمحددات خاصة بالمصرف ومن صندوق النقد الدولي لمحددات الاقتصاد الكلي. يستخدم هذا البحث بيانات اللوحة باستخدام تحليل التأثيرات الثابتة مقابل العشوائية لتشغيل نموذج الانحدار. تستخدم نتائج التأثيرات الثابتة للتفسير بناءً على اختبار Hausman. بناءً على التحليل التجريبي، أثرت السيولة ونمو الناتج المحلي الإجمالي بشكل إيجابي على الأداء المالي للمصارف الإسلامية. بينما نسبة كفاية رأس المال، ونسبة الرافعة المالية، وإدارة التكاليف، وحجم المصرف، ومعدل التضخم لها آثار سلبية على الأداء المالي للمصارف الإسلامية. نتائج هذه الدراسة مهمة لمديري المصارف والمستثمرين والاقتصاديين والمنظمين وواضعي السياسات. من حيث القيود، ركزت هذه الدراسة على دراسة متغيرات معينة لمحددات الأداء المالي للمصارف الإسلامية، وكانت العينة المستخدمة في هذا البحث أربعة بنوك إسلامية فقط في دولة واحدة. أخيرًا، يوصى بالدراسات المستقبلية لاستخدام المزيد من عدد السكان وحجم العينة وعوامل محددات أكثر لإعطاء نتائج أكثر دقة.

الكلمات المفتاحية: المصارف الإسلامية، الأداء المالي، الربحية، السيولة، نسبة كفاية رأس المال، الرافعة المالية، إدارة التكاليف، حجم المصرف، التضخم، الناتج المحلي الإجمالي.