

Ownership in Islamic banks: How home country development influences the performance of foreign Islamic banks

ABSTRACT

This study aims to assess the performance of domestic and foreign Islamic banks as well as the influence of foreign banks' home country development influence on the performance of foreign banks. This study uses data of 17 domestic Islamic banks and 11 foreign Islamic banks from Bahrain, Malaysia and Pakistan from 2010 to 2018. Pooled ordinary least square is used to investigate the relationship between home country development and performance of foreign Islamic banks. Results from this paper suggest domestic Islamic banks in Malaysia have higher performance than their foreign counterparts while foreign Islamic banks from Pakistan have higher performance than their domestic counterparts. However, as a whole, the performance of domestic and foreign Islamic banks is not significantly different from one another. Development of foreign banks' home country measured by gross national income per capita and gross domestic product per capita shows significant positive influence on the performance of foreign Islamic banks. Higher level of development of the home country of foreign banks appears to influence the performance of foreign banks in the host country.