

**The impact of macro-economic variables on risk and performance of Islamic
and conventional banks**



Thesis

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ABSTRACT

The purpose of this study is to investigate the association between macroeconomic factors and Islamic and conventional banks performance, technical efficiency and credit risk in the context of Pakistan. The sample size contains 10 years of data from 2009 to 2018 and selected 4 Islamic banks and 4 conventional banks in Pakistan. The statistical tools like descriptive statistics, correlation analysis and panel regression technique have used in order to investigate the relationship between macroeconomic factors and Islamic and conventional banks performance, technical efficiency and credit risk. The results reported that there is a direct association exists between GDP and performance, efficiency and credit risk of Islamic and conventional banks. The inflation factor found indirect relationship with performance, efficiency and credit risk of Islamic and conventional banks. The relationship between interest rate and performance, efficiency and credit risk of Islamic banks has found negative while the association between interest rate and performance, efficiency and credit risk has found positive. The link between exchange rate and performance, efficiency and credit risk has found positive and insignificant while the link between exchange rate and performance of conventional banks has found positive and significant, however the relationship between exchange rate and efficiency and credit risk of conventional banks also found positive and insignificant. The relationship between economic growth and performance, efficiency and credit risk has found positive insignificant in Islamic banks while the relationship between economic growth and performance, efficiency and credit risk has found positive significant in conventional banks. The study argued that macro-economic variables have significant influence the performance, efficiency and credit risk of Islamic and conventional banks. The study has important practical implications for financial experts, creditors, investors, banks CEO in order to enhance their wealth maximization.

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