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Supplemental Table	 Descripti 	ve Statistics.							
Variable	Bank type	Observation	R	SD	PS	P25	Median	P75	P90
Variables for the growth o	f Islamic banks-	—Equation I							
Dependent variables									
LINPLS (UNIOgged)		800 708	0.401	0.244	0.05/	0.Ua/	0.3/5	0.004	0.007
Independent variables		010	0. 120		0.000			0.040	0.000
RELIGION		882	0.506	0.500	0.000	1.000	1.000	I.000	1.000
REGULATORYSUPPORT	1	882	0.543	0.498	0.000	0.000	1.000	1.000	1.000
MUSLIMBROTHER		882	0.644	0.479	0.000	0.000	1.000	1.000	I.000
RATEOFRETURN		882	0.094	0.063	0.016	0.047	0.123	0.123	0.210
SIZE (\$ billion)		882	5.502	32.004	0.042	0.234	0.823	2.604	6.629
HH		882	0.056	0.040	0.024	0.031	0.040	0.077	0.102
ISLAMICINDEX		882	95.611	56.240	33.000	51.000	74.000	145,000	190.000
INFLATION		882	0.081	0.101	0.006	0.022	0.049	0.097	0.143
GDP_CAPITA		882	8.583	1.581	6.093	7.083	8.893	9.943	10.599
MENA		882	0.502	0.500	0.000	0.000	1.000	1.000	I.000
Variables for capital reserv	res and liquidity	-Equation 2							
Dependent variables									
LNCAP (unlogged)	Islamic	F 070	0.485**	0.295	0.105	0.160	0.605	0.759	0.769
	All	6.76 I	0.451	0.302	0.100	0.146	0.337	0.769	0.769
LIQUIDITY	Islamic	882	0.119	0.141	0.002	0.023	0.068	0.161	0.297
	Conventional	5,879	0.120	0.175	0.000	0.016	0.055	0.125	0.355
-	AII	6,761	0.120	0.171	0.000	0.016	0.056	0.130	0.344
INCOMEVOL	Islamic	882	0.056**	0.074	0.001	0.004	0.011	0.124	0.183
	Conventional	5,879	0.036	0.064	0.001	0.003	0.006	0.019	0.181
	AII	6,761	0.038	0.065	0.001	0.003	0.006	0.022	0.183
COMPINCOMEVOL	Islamic	882	0.057**	0.074	0.001	0.005	0.013	0.137	0.183
	Conventional	5,879	0.037	0.063	0.001	0.003	0.007	0.022	0.172
	AII	6,761	0.039	0.065	0.001	0.004	0.008	0.026	0.183
ISLAMICDUMMY	AII	6,761	0.130	0.337	0.000	0.000	0.000	0.000	1.000
Control variables	-	887	л гор	37 004	0 040	0 234	2020	5 404	0 (2)
·····	Conventional	5,879	16.655**	60.89 I	0.075	0.383	1.401	5.929	24.201
	AII	6,761	15.200	58.066	0.068	0.352	1.315	5.220	21.371
REALESTLOAN	Islamic	882	0.438	0.258	0.000	0.241	0.476	0.650	0.750
	Conventional	5,879	0.440	0.226	0.042	0.268	0.455	0.615	0.724
DOA	All	6,/61	0.013	0.231	0.02/	0.266	0.457	0.619	0./31
	Conventional	5.879	0.012	0.027	-0.016	0.004	0.011	0.019	0.031
	AI	6,761	0.012	0.030	-0.021	0.004	0.011	0.020	0.033
OVERHEAD	Islamic	882	0.052**	0.056	0.011	0.021	0.033	0.062	0.099
	Conventional	5,879	0.044	0.059	0.005	0.017	0.027	0.044	0.080
	AII	6,761	0.045	0.059	0.006	0.017	0.028	0.045	0.084
DIVERSIFICATION	Islamic	882	0.433	0.389	0.000	0.156	0.333	0.601	1.000
	Conventional	5,879	0.416	0.344	0.000	0.222	0.333	0.500	0.867
	A	6,761	0.418	0.350	0.000	0.215	0.333	0.501	0.913
RLAW	Islamic	F 070	6.082	2.062	3.030	4.170	6.780	8.330	8.330
	All	5,879 6.761	6.244 6.244	2.155	2.030	3.980 3.980	6.780	8.570 8.570	8.570
	AI	6,761	6.244	2.155	3.030	3.980	6./80	8.570	8.570

(continued)

tal Table I Descriptive Statistics.

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Variable	Bank type	Observation	Μ	SD	P5	P25	Median	P75	P90
SRIGHT	Islamic	882	I.003	1.477	0.000	0.000	0.000	I.000	3.000
	Conventional	5,879	1.775**	1.696	0.000	0.000	1.000	4.000	4.000
	AII	6,761	1.674	1.689	0.000	0.000	1.000	4.000	4.000
ENTRY	Islamic	882	7.418	0.923	6.000	7.000	8.000	8.000	7.000
	Conventional	5,879	7.750**	0.596	7.000	8.000	8.000	8.000	8.000
	AII	6,761	7.707	0.657	7.000	8.000	8.000	8.000	8.000
DEPINS	Islamic	882	0.490	0.500	0.000	0.000	0.000	1.000	1.000
	Conventional	5,879	0.689	0.463	0.000	0.000	1.000	1.000	1.000
	AII	6,761	0.663	0.473	0.000	0.000	1.000	1.000	1.000
Variables for capital reser	ves and liquidity								
Control variables									
GDPGR	Islamic	882	0.284	0.883	0.018	0.039	0.057	0.078	0.173
	Conventional	5,879	0.268	0.873	0.011	0.032	0.049	0.067	0.099
	AII	6,761	0.270	0.874	0.011	0.032	0.050	0.068	0.109
INFLATION	Islamic	882	0.081	0.101	0.006	0.022	0.049	0.097	0.143
	Conventional	5,879	0.096	0.134	0.009	0.021	0.045	0.098	0.450
	AII	6,761	0.094	0.130	0.008	0.022	0.045	0.098	0.450
MENA	Islamic	882	0.502**	0.500	0.000	0.000	1.000	1.000	I.000
	Conventional	5,879	0.307	0.461	0.000	0.000	0.000	1.000	I.000
	AII	6,761	0.332	0.471	0.000	0.000	0.000	1.000	I.000

Supplemental Table 1. (continued)

bank, enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from 1 to 10 to measure the quality of law domestic product (GDP) divided by midyear population, in current U.S. dollars. *MENA* is an indicator variable set to 1 when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, primary religion, practiced by the largest fraction of the population, and to 0 otherwise. REGULATORYSUPPORT is the entire sample of 6,761 observations over the period 2000-2012. LNPLS is the natural logarithm of profit-loss for the Islamic sample of 882 yearly observations, the conventional banks sample of 5,879 yearly observations, and prices based on constant local currency otherwise (Demirgüç-Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of GDP at market Barth et al. (2001). DEPINS is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). ENTRY is the sum from I to 5 to aggregate the following shareholders' rights: one share—one vote, proxy by mail, shares blocked assets, and measured over each 5-year period. ISLAMICDUMMY is a dummy variable set to I if a bank is an Islamic firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total expressed as a percentage of average total assets, and measured over each 5-year period. COMPINCOMEVOL is LIQUIDITY is liquid assets scaled by total assets. INCOMEVOL is firm-specific standard deviation of annual income, Egypt. LNCAP is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and each bank. INFLATION is the change of customer price index (CPI) from year sharing investment deposits for Islamic banks in each country. SIZE is the natural logarithm of (1 \pm total assets) of part in the legislative body of a country, and to 0 otherwise. RATEOFRETURN is the rate of returns on profit-loss conventional banks, and to 0 otherwise. MUSUMBROTHER is dummy variable set to 1 if Muslim Brotherhood is a dummy variable set to 1 if a country has a comprehensive law that regulates Islamic banks separate from that of deposits. RELIGION is dummy variable that is set to I if an Islamic bank located in a country with Islam as a sharing deposit to total asset. LN(Δ PLS) is the natural logarithm of the percentage change of profit–loss sharing Note. This table provides descriptive statistics for dependent variables, independent variables, and control variables and to 0 otherwise. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by to year. GDP_CAPITA is gross

**Denotes significance at the 5% level for the difference on mean value

Panel A: Correlation for	or Variab	les Relating	to the Dep	ositors for Islamic Banks	Equation 1.							
Variable	LNPLS	$LN(\Delta PLS)$	RELIGION	REGULATORYSUPPORT	MUSLIMBROTHER	RATEOFRETURN	ISLAMICINDEX	нні	SIZE	INFLATION	GDP_CAPITA	MENA
LNPLS	1.000											
$LN(\Delta PLS)$.028	1.000										
RELIGION	.132	.061	1.000									
REGULATORYSUPPORT	.087	.163	.675	1.000								
MUSLIMBROTHER	.109	.089	.549	.287	1.000							
RATEOFRETURN	050	.049	.057	048	090	1.000						
ISLAMICINDEX	005	.774	.777	459	.379	.120	1.000					
HHI	.385	.270	.238	337	124	080	.037	1.000				
SIZE	.074	226	210	.153	030	196	292	- .097	1.000			
INFLATION	00 I	046	.311	194	.099	.041	.406	.073	083	1.000		
GDP_CAPITA	107	.015	824	.509	642	057	768	105	.402	213	1.000	
MENA	170	166	- .307	.173	478	.131	187	.078	.162	063	.496	1.000

Supplemental Table 2. Correlation.

Note. This table presents Pearson's correlations between the main variables. All correlations are with the sample of 882 observations for Islamic banks. LNPLS is the natural logarithm of the percentage change of profit-loss sharing deposits. RELIGION is dummy variable set to 1 if Muslims are higher than 90% of a country's populations, 0 otherwise. Data from World Data Survey. MUSLIMBROTHER is dummy variable set to 1 if Muslim Brotherhood is a part in the legislative body of a country, and to 0 otherwise. REGULATORYSUPPORT is dummy variable set to 1 if a country has a comprehensive law that regulates Islamic banks separate from that of conventional banks, and to 0 otherwise. SIZE is the natural logarithm of (1 + total assets) of each bank. RATEOFRETURN is the rate of returns on profit-loss sharing investment deposits for Islamic banks in each country. ISLAMICINDEX is an index that ranks the self-declared Islamic nations by the degree that their policies, achievements, and realities are in accordance to a set of Islamic economic principles. The higher the value, the lower the Islamic value in the country, as explained by Rehman and Askari (2010). HHI is Hirschman–Herfindahl Index as a proxy for bank concentration. INFLATION is the change of customer price index (CPI) from year to year. GDP_CAPITA is gross domestic product divided by midyear population, in current U.S. dollars. MENA is an indicator variable set to 1 when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. Bold text indicates significance at the .05 level or higher.

Panel B: Correlation	on for Var	ables Rela	ting to Capi	ital Buffer and	Performan	ce—Equ	ation 2.										
Variable	LNCAP	LIQUID- ITY	INCOME- VOL	COMPINC- OMEVOL	ISLAMIC- DUMMY	SIZE	realest- Loan	ROA	over- Head	DIVERSIF- ICATION	RLAW	SRIGHT	ENTRY	DEPINS	GDPGR	INFLA- TION	MENA
LNCAP	1.000																
LIQUIDITY	.163	1.000															
INCOMEVOL	.182	062	1.000														
COMPINCOMEVOL	.174	058	.997	1.000													
ISLAMICDUMMY	.344	002	.105	.105	1.000												
SIZE	268	037	180	174	120	1.000											
REALESTLOAN	246	175	- .157	153	003	.226	1.000										
ROA	.002	.021	001	005	.011	.035	.075	1.000									
OVERHEAD	214	.040	.200	.196	.045	138	056	.044	1.000								
DIVERSIFICATION	.230	.122	.154	.150	.017	.031	113	.059	.464	1.000							
RLAW	.258	.170	.049	.047	.029	.220	1 07	.026	.051	.124	1.000						
SRIGHT	205	.091	.028	.020	154	.072	118	.098	.164	.064	.199	1.000					
ENTRY	.166	.052	002	009	170	119	088	055	.061	.117	.009	.022	1.000				
DEPINS	095	.008	.039	.034	.142	029	055	047	.077	044	.024	.311	.181	1.000			
GDPGR	.062	.062	003	004	.006	.034	006	085	.026	022	.142	.024	068	034	1.000		
INFLATION	034	.071	002	.004	040	054	010	005	081	111	065	392	.063	118	.057	1.000	
MENA	.079	109	073	062	.140	.056	026	.061	162	050	.155	609	101	40 1	060	.278	1.000

Note. This table presents Pearson's correlations between the main variables. All correlations are within the entire sample of 6,761 observations. *LNCAP* is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. *LIQUIDITY* is liquid assets scaled by total assets. *INCOMEVOL* is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5-year period. *COMPINCOMEVOL* is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5-year period. *ISLAMICDUMMY* is a dummy variable set to 1 if a bank is an Islamic bank, and to 0 otherwise. *SIZE* is the natural logarithm of (1 + total assets) of each bank. *REALESTLOAN* is loans and leases divided by total assets. *ROA* is net income divided by the average total assets. *OIVERNEAD* is non-interest income divided by total operating income. *RLAW* is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). *SRIGHT* is an index from 1 to 5 to aggregate the following shareholders' rights: one share–one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). *ENTRY* is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). *DEPINS* is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise. (Demirgüg-Kunt et al., 2008). *GDPGR* is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. *INFLATION* is the change of customer price index (CPI) from year to year. *MENA* is an indicator variable set to 1 when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahra

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indicates significance at the .05 level or higher.

				0 //		
Independent variable	(1) LNPLS	(2) LNPLS	(3) LNPLS	(4) LN(∆PLS)	(5) LN(ΔPLS)	(6) LN(∆PLS)
RELIGION	0.435***	0.432***	0.325***	0.169*	0.189**	0.219***
	[2.71]	2.50]	[3.92] ^^^?**	[1.92] ^ ^ ^ ^ **	[2.37]	[2.66] ^ ^ ~ ~ *
MUSLIMBRUTHER	0.395*** [2.70]	0.388*** [2.45]	0.03/** [2.12]	0.225** [2.44]	0.042 [1.39]	0.12/*
REGULATORYSUPPORT	0.441***	0.441***	0.548***	0.070	0.086	0.100**
SIZE	[4.43]	[3.98] 0.004***	_0.004***	[1.27]	_0.030***	[1.97] 0.034***
L L		[-3.26]	[-3.26]		[-5.97]	[-7.87]
RATEOFRETURN		0.032**	0.032**		0.145	0.135
ISLAMICINDEX		[2.48]	[2.45] —0.003***		[1.28]	[1.21] 0.001**
HH			[-5.12] -0.006			[-2.08] -0.202***
INFLATION	0.000**	-0.000	0.000	-0.001	-0.002*	[-3.25] -0.003*
	[-2.16]	[-1.64]	[-1.65]	[-1.01]	[-1.70]	[-1.81]
GDP_CAPITA	0.007	0.007	0.007	0.097***	0.106***	0.105***
MENA	[0.92] 0.423***	[0.87] 0.434***	[0.89] 0.371***	[2.68] —0.141***	[2.88] —0.069	[2.83] —0.126**
	[-4.79]	[-4.28]	[-3.23]	[-2.69]	[-1.27]	[-2.46]
Country fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.049	-0.089	-0.058	-0.557	-0.861**	-0.751*
Observations	[0.63] 882	[1.01] 882	[0.66] 882	[-1.52] 828	[-2.10] 828	[1.86] 828
Adjusted R ²	.962	.964	.964	.806	.846	.856
Note. This table presents Islamic banks. In Column:	regression of s I to 3, the In Columns 4	profit sharing dependent var	ratio on variab iable LNPLS is	les relating to the natural log	the clientele fo garithm of profi	r a sample of t-loss sharing
percentage change of prof 90% of a country's popula	it-loss sharing itilion, 0 otherw	deposits. RELI deposits. RELI	GION is dummy GION is dummy	و در المراسطين (م) (م) (Survey, MUSLIA	ABROTHER is du	re higher than mmy variable
set to I if Muslim Bro	otherhood is	a part in th	e legislative b	ody of a cou	untry, and to	0 otherwise.

Supplemental Table 3. Determinants of Profit-Loss Sharing (PLS) Intensity in Islamic Banks

*Denotes significance at the 10% level. **Denotes significance at the 5% level. ***Denotes significance at the 1% level. statistics adjusted for firm-level clustering are reported in brackets Turkey, Tunisia, Lebanon, and Egypt. The model includes country fixed-effects otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, and year fixed-effects. Robust t

is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 year to year. GDP_CAPITA is gross domestic product divided by midyear population, in current U.S. dollars. MENA Herfindahl Index as a proxy for bank concentration. INFLATION is the change of customer price index (CPI) from the lower the Islamic value in the country, as explained by Rehman and Askari (2010). HHI is Hirschmanpolicies, achievements, and realities are in accordance to a set of Islamic economic principles. The higher the value,

each country. ISLAMICINDEX is an index that ranks the self-declared

each bank. RATEOFRETURN is the rate of returns on profit-loss sharing investment deposits for Islamic banks in

Islamic nations by the degree that their

separate from that of conventional banks, and to 0 otherwise. S/ZE is the natural logarithm of (1 + total assets) of REGULATORYSUPPORT is dummy variable set to 1 if a country has a comprehensive law that regulates Islamic banks

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire sample	Entire sample	Entire sample	Entire sample
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP
INCOMEVOL	0.680***		0.294***		0.214		0.171	
	[3.05]		[3.72]		[0.95]		[0.74]	
COMPINCOMEVOL		0.797***		0.284***		0.564**		0.141
		[3.07]		[3.58]		[2.01]		[0.62]
ISLAMICDUMMY					0.056***	0.076***	0.056*	0.041*
					[2.98]	[3.89]	[1.56]	[1.54]
INCOMEVOL $ imes$ ISLAMICDUMMY					0.274**		0.197*	
					[2.17]		[1.66]	
COMPINCOMEVOL × ISLAMICDUMMY						0.255**		0.199*
						[2.04]		[1.66]
SIZE	-0.190**	-0.189**	-0.036***	-0.036***	-0.038***	-0.1/1**	-0.03/***	-0.03/***
	[-2.48]	[-2.04]	[-10.54]	[-10.57]	[-10.54]	[-2.11]	[-9./6]	[-9.86]
REALESTLOAN	-0.021	-0.027	-0.092***	-0.092***	-0.076**	-0.148***	-0.102***	-0.103***
204	[-0.29]	[-0.38]	[-2.94]	[-2.94]	[-2.29]	[-4.45]	[-2.91]	[-2.93]
ROA	0.853***	0.945***	0.302*	0.301*	0.666***	0.794***	0.569***	0.569***
	[3.18]	[3.45]	[1.78]	[1.//]	[4.09]	[4.65]	[2.94]	[2.94]
OVERHEAD	0.206	0.237	0.091	0.093	0.006	0.165	0.053	0.060
	[0.69]	[0.78]	[0.81]	[0.82]	[0.05]	[1.37]	[0.40]	[0.45]
DIVERSIFICATION	0.040	0.048	0.067***	0.067***	0.076***	0.026	0.071***	0.071***
RI ANA/	[1.08]	[1.28]	[2.87]	[2.87]	[3./3]	[1.27]	[3.25]	[3.24]
RLAVV	0.034	0.032	0.034 ⁺⁺⁺	0.034 · · ·	0.055 · · ·	0.047	0.054····	0.034 ^{····}
	0.015	0.005	_0.027***	_0.30J _0.027***		[3.77] _0.024**	_0.021***	_0.03]
5110111	0.013	0.003	-0.037777 [_4 54]	-0.037 ···	-0.032 ²	-0.02+7 []	-0.031 · · ·	-0.031777
ENTRY	0.024	0.023	0.029***	0.029***	0.048***	0.046***	0.048***	0.048***

Supplemental Table 4. The Performance of Islamic Versus Conventional Banks.

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire sample	Entire sample	Entire sample	Entire sample
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP
DEPINS	[1.15] -0.196*** [-3.00]	[1.08] -0.238*** [-3.82]	[3.07] -0.160*** [-4 30]	[3.07] -0.160*** [-4.32]	[4.84] -0.124** [-2.56]	[4.39] -0.105** [-2.24]	[4.31] -0.131*** [-2.69]	[4.31] -0.131*** [-2.69]
GDPGR	0.003	0.005	0.012***	0.012***	0.013***	0.015***	0.014***	0.014***
INFLATION	0.004**	0.004**	-0.00 [-0.66]	-0.000 [-0.67]	-0.001 [-0.93]	-0.001 [-0.85]	-0.001 [-1.23]	-0.001 [-1 22]
MENA	0.150**	0.204***	0.322***	0.324***	0.127*	0.176**	0.150**	0.151**
${\sf SIZE} imes {\sf ISLAMICDUMMY}$	[ב.ב י]	[3.00]	[5.00]	[5.10]	[1.75]	[2.10]	-0.024**	-0.024**
${\sf REALESTLOAN} imes {\sf ISLAMICDUMMY}$							0.205**	0.206**
ROA imes ISLAMICDUMMY							0.221	0.221
overhead imes islamicdummy							0.231	0.226
$\textit{DIVERSIFICATION} \times \textit{ISLAMICDUMMY}$							0.011	0.011
RLAW imes ISLAMICDUMMY							[0.23] 0.003	[0.25] -0.003
sright $ imes$ islamicdummy							[-0.27] -0.006	[-0.29] -0.006
ENTRY $ imes$ ISLAMICDUMMY							[-0.44] 0.006 [0.34]	[-0.44] 0.005 [0.31]

Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

Panel A: Performance of Islamic Banks C	_ompared VV	th Convention	onal Banks in Ma	naging Their Cap	ital Buffers.			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire sample	Entire sample	Entire sample	Entire sample
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP
DEPINS × ISLAMICDUMMY							0.029	0.030
							[0.79]	[0.82]
GDPGR $ imes$ ISLAMICDUMMY							-0.005	-0.005
							[-0.42]	[-0.41]
INFLATION $ imes$ ISLAMICDUMMY							0.003*	0.003*
							[1.94]	[1.94]
Mena $ imes$ islamicdummy							0.162***	0.163***
							[3.86]	[3.88]
Country fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.183	0.263	0.549***	0.549***	0.081	-0.06 I	0.108	0.109
	[0.90]	[1.29]	[6.70]	[6.70]	[0.99]	[-0.71]	[1.18]	[1.19]
Observations	882	882	5,879	5,879	6,761	6,761	6,761	6,761
Adjusted R ²	.461	.459	.384	.384	.395	.353	.404	.403

Note. This table presents regression of capital buffer on asset risk and control variables for the sample of Islamic and conventional banks. The dependent variable LNCAP is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. INCOMEVOL is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5-year period. COMPINCOMEVOL is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5-year period. ISLAMICDUMMY is an indicator variable set to 1 if a bank is an Islamic bank, and to 0 otherwise. SIZE is the natural logarithm of (1 + total assets) of each bank. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). ENTRY is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). DEPINS is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüc-Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. INFLATION is the change of customer price index (CPI) from year to year. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust t statistics adjusted for firm-level clustering are reported in brackets.

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	lslamic banks	Conventional banks	Conventional banks	Entire sample	Entire sample	Entire sample	Entire sample
Independent variable	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY
INCOMEVOL	0.801*** [2.80]		0.380*** [3.33]		0.435** [2.33]		0.434** [2.38]	
COMPINCOMEVOL		0.799*** [2.82]		0.372*** [3.30]		0.415** [2.31]		0.419** [2.39]
ISLAMICDUMMY					0.004 [0.39]	0.004 [0.43]	0.029 [0.25]	0.031 [0.27]
$\operatorname{INCOMEVOL} imes \operatorname{ISLAMICDUMMY}$					0.277***		0.210** [2.39]	
$\textit{COMPINCOMEVOL} \times \textit{ISLAMICDUMMY}$					[]	0.262*** [2.73]	[]	0.189** [2.28]
SIZE	-0.007	-0.007	-0.015**	-0.015**	-0.004	-0.004	-0.005	-0.005
REALESTLOAN	-0.106	-0.105	-0.132**	-0.132**		-0.047	-0.056	-0.056
ROA	[-0.66] 0.871**	[-0.65] 0.872**	0.816*	[-2.11] 0.814*	[-1.40] 0.374	0.374**	[-1.49] 0.445**	0.444**
OVERHEAD	[2.16] 0.933**	[2.17] 0.932**	0.231	0.233	_0.038	[2.22] -0.039	0.009	0.008
DIVERSIFICATION	[2.33] 0.158***	[2.33] 0.158***	[0.97] 0.029	[0.97] 0.029	[-0.29] 0.014	[-0.29] 0.014	0.008	0.008
RLAW	[2.79] 0.047***	[2.79] 0.046***	[0.90] 0.004	[0.90] 0.004	[0.81] -0.004	[0.82] 0.005	[0.40] 0.004	[0.41] -0.004
SRIGHT	[3.01] 0.068***	[3.00] 0.068***	[0.33] 	[0.34] 	[-0.82] -0.040***	[-0.83] -0.040***	[-0.68] -0.038***	[-0.70] -0.038***
ENTRY	[-3.10] 0.036 [1.55]	[-3.09] 0.037 [1.58]	[-3.42] 0.004 [0.49]	[<i></i> 3.42] 0.004 [0.49]	[-3.27] 0.000 [0.13]	[-3.27] 0.000 [0.08]	[-2.99] -0.001 [-0.22]	[-2.99] -0.001 [-0.23]

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire sample	Entire sample	Entire sample	Entire sample
Independent variable	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY
DEPINS	-0.204***	-0.204***	-0.195***	-0.195***	-0.132***	0.149***	-0.132***	0.150***
GDPGR	[-3.49] -0.008 [-0.75]	[-3.48] -0.008 [-0.74]	[-5.36] 0.012* [1.69]	[-5.36] 0.012* [1.70]	[-4.14] 0.000 [0.10]	[5.99] 0.001 [0.14]	[-4.07] 0.000 [0.08]	[5.69] 0.000 [0.11]
INFLATION	0.001 [0.58]	0.001 [0.58]	0.000	0.000	0.000	0.000	0.000	0.000
MENA	0.142	0.145*	0.240***	0.243***	0.169***	0.171***	0.162***	0.165***
SIZE $ imes$ ISLAMICDUMMY	[1.62]	[1.66]	[7.46]	[7.48]	[4.23]	[4.30]	[3.98] 0.013	[4.04] 0.013
realestloan $ imes$ islamicdummy							[1.02] 0.023	[1.04] 0.023
ROA $ imes$ Islamicdummy							_0.287	-0.282
overhead $ imes$ islamicdummy							[-1.23] -0.210 [-0.84]	[-1.21] -0.211 [-0.84]
DIVERSIFICATION $ imes$ ISLAMICDUMMY							0.019	0.018
RLAW $ imes$ islamicdummy							[0.49] —0.016***	[0.47] -0.016***
sright $ imes$ islamicdummy							[-3.20] -0.008	[-3.22] -0.008
$\operatorname{ENTRY} imes \operatorname{ISLAMICDUMMY}$							[-0.92] -0.001 [-0.19]	[=0.94] =0.002 [=0.29]

Panel B: Performance of Islamic Banks Compared With Conventional Banks in Terms of Liquidity

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Panel B: Performance of Islamic Bank	s Compared Wit	h Convention	al Banks in Term	s of Liquidity.				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	lslamic banks	Islamic banks	Conventional banks	Conventional banks	Entire sample	Entire sample	Entire sample	Entire sample
Independent variable	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY
DEPINS $ imes$ Islamicdummy							0.000	0.000
							[0.01]	[0.00]
GDPGR $ imes$ islamicdummy							0.002	0.002
							[0.35]	[0.34]
INFLATION $ imes$ ISLAMICDUMMY							-0.000	-0.000
							[-0.75]	[-0.68]
Mena $ imes$ islamicdummy							0.000	0.001
							[0.02]	[0.05]
Country fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.855***	0.855***	0.341**	0.341**	0.256***	0.259***	0.263***	0.266***
	[3.34]	[3.35]	[2.39]	[2.39]	[3.42]	[3.46]	[3.43]	[3.47]
Observations	882	882	5,879	5,879	6,761	6,761	6,761	6,761
Adjusted R ²	.374	.374	.236	.236	.336	.335	.349	.338

Note. This table presents regression of liquidity on asset risk and control variables for the sample of Islamic and conventional banks. The dependent variable *LIQUIDITY* is all liquid assets scaled by total asset. *INCOMEVOL* is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5-year period. *ISLAMICDUMMY* is an indicator variable set to 1 if a bank is an Islamic bank, and to 0 otherwise. *SIZE* is the natural logarithm of (1 + total assets) of each bank. *REALESTLOAN* is loans and leases divided by total assets. *ROA* is net income divided by the average total assets. *OVERHEAD* is non-interest expense divided by average total assets. *DIVERSIFICATION* is non-interest income divided by total operating income. *RLAW* is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). *SRIGHT* is an index from 1 to 5 to aggregate the following shareholders' rights: one share—one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). *ENTRY* is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). *DEPINS* is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüç-Kunt et al., 2008). *GDPGR* is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. *INFLATION* is the change of customer price index (CPI) from year to year. *MENA* is an indicator variable set to 1 when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust t statistics adjusted for firm-

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire banks	Entire banks	Entire banks	Entire banks
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP
INCOMEVOL	0.677***		0.423***		0.451***		0.272***	
	[3.12]		[4.51]		[4.01]		[3.39]	
COMPINCOMEVOL		0.566***		0.281***		0.287***		0.120***
		[3.00]		[4.12]		[3.67]		[3.04]
ISLAMICDUMMY					0.036***	0.036***	0.149	0.149
INCOMEVOL $ imes$ ISLAMICDUMMY					[3.11] 0.376***	[3.12]	[1.49] 0.150*	[1.48]
					[3.42]		[1.70]	
$COMPINCOMEVOL \times ISLAMICDUMMY$						0.367***		0.149*
						[3.30]		[1.64]
SIZE	-0.202**	-0.183**	-0.I47***	-0.128***	-0.151***	-0.128***	-0.123***	-0.102***
	[-2.57]	[-2.44]	[-4.66]	[-4.25]	[-3.99]	[-3.62]	[-3.35]	[-2.98]
REALESTLOAN	-0.043	-0.040	-0.146***	-0.149***	-0.I37***	-0.140***	-0.133***	-0.136***
	[-0.60]	[-0.57]	[-4.62]	[-4.71]	[-4.76]	[-4.86]	[-4.37]	[-4.47]
ROA	0.492**	0.491**	0.237	0.237	0.263*	0.256*	0.286*	0.277*
	[2.24]	[2.24]	[1.45]	[1.40]	[1.92]	[1.87]	[1.78]	[1.73]
OVERHEAD	0.357	0.361	0.308***	0.325***	0.332***	0.349***	0.288***	0.304***
	[1.37]	[1.39]	[3.05]	[3.19]	[3.63]	[3.81]	[2.88]	[3.02]
DIVERSIFICATION	0.067**	0.068**	0.042**	0.041**	0.050***	0.049***	0.048**	0.047**
	[2.08]	[2.10]	[2.17]	[2.10]	[2.81]	[2.77]	[2.40]	[2.34]
RLAW	0.037**	0.037**	0.020***	0.020***	0.045***	0.044***	0.048***	0.047***
	[2.39]	[2.41]	[3.32]	[3.31]	[5.53]	[5.40]	[5.33]	[5.25]
SRIGHT	0.010	0.010	-0.036***	-0.037***	0.077**	0.076**	0.081**	0.081**
	[0.91]	[0.90]	[-4.78]	[-4.81]	[2.18]	[2.14]	[2.30]	[2.27]
ENTRY	0.023	0.022	0.044***	0.044***	0.032***	0.032***	0.045***	0.044***
	[1.08]	[1.04]	[3.08]	[3.01]	[3.05]	[2.91]	[3.19]	[3.09]
DEPINS	-0.213***	-0.219***	-0.225***	-0.226***	0.074	0.068	0.078	0.073
	[-3.28]	[-3.39]	[-4.95]	[-4,94]	[0.76]	[0.70]	[0.80]	[0.75]

Supplemental Table 5. The Performance of Islamic Versus Conventional Banks Excluding Hybrid Banks.

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire banks	Entire banks	Entire banks	Entire banks
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP
GDPGR	0.004	0.004	0.013***	0.013***	0.012***	0.013***	0.011***	0.011***
	[0.48]	[0.53]	[3.08]	[3.17]	[3.28]	[3.40]	[2.73]	[2.82]
INFLATION	0.004**	0.004**	-0.000	-0.000	0.000	0.000	0.000	0.000
	[2.32]	[2.31]	[-0.11]	[-0.15]	[0.16]	[0.06]	[0.72]	[0.66]
MENA	-0.182***	-0.192***	-0.293***	-0.304***	0.066	0.056	0.067	0.059
	[-2.76]	[-2.94]	[-4.81]	[-4.92]	[0.55]	[0.46]	[0.55]	[0.48]
SIZE $ imes$ ISLAMICDUMMY							-0.029***	-0.030***
							[-5.39]	[-5.64]
REALESTLOAN $ imes$ ISLAMICDUMMY							0.046	0.050
							[0 98]	[] 04]
$ROA \times ISLAMICDUMMY$							0.003	0.011
							0.005	IO 051
							0.014	0.011
							10.01	0.011
							0.03	0.07
DIVERSIFICATION × ISLAMICDOMMI							0.019	0.021
							[0.78]	[0.87]
RLAW × ISLAMICDUMMI							0.006	0.006
							[0.91]	[0.93]
SRIGHT × ISLAMICDUMMY							-0.004	-0.004
							[-0.48]	[-0.44]
ENTRY imes ISLAMICDUMMY							0.001	0.001
							[0.07]	[0.10]
DEPINS $ imes$ ISLAMICDUMMY							-0.019	-0.018
							[-0.61]	[-0.56]
GDPGR imes ISLAMICDUMMY							0.004	0.004
							[0.63]	[0.64]
Inflation $ imes$ islamicdummy							-0.001*	-0.00I*
							[-I.89]	[-l.88]

Panel A: Performance of Islamic B	anks Compared With	Conventional B	anks in Managing Their	· Capital Buffers.				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire banks	Entire banks	Entire banks	Entire banks
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP	LNCAP
MENA imes ISLAMICDUMMY							0.013	0.015
							[0.41]	[0.45]
Country fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.222	0.231	0.312***	0.316***	-0.145	-0.129	-0.265	-0.253
	[1.18]	[1.23]	[2.75]	[2.72]	[-0.75]	[-0.66]	[-1.28]	[-1.21]
Observations	882	882	5,084	5,084	5,966	5,966	5,966	5,966
Adjusted R^2	.456	.455	.322	.320	.347	.345	.360	.358

Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers

Note. This table presents regression of capital buffer on asset risk and control variables for the sample of Islamic and conventional banks excluding hybrid banks. The dependent variable *LNCAP* is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. *INCOMEVOL* is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5-year period. *COMPINCOMEVOL* is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5-year period. *ISLAMICDUMMY* is an indicator variable set to 1 if a bank is an Islamic bank, and to 0 otherwise. *SIZE* is the natural logarithm of (1 + total assets) of each bank. *REALESTLOAN* is loans and leases divided by total assets. *ROA* is net income divided by the average total assets. *OVERHEAD* is non-interest expense divided by average total assets. *DIVERSIFICATION* is non-interest income divided by total operating income. *RLAW* is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). *SRIGHT* is an index from 1 to 5 to aggregate the following shareholders' rights: one share–one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed in Barth et al. (2001). *DEPINS* is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise. (Demirgüc-Kunt et al., 2008). *GDPGR* is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. *INFLATION* is the change of customer price index (CPI) from year to year. *MENA* is an indicator variable set to 1 when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include co

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic	Islamic	Conventional	Conventional	Entire	Entire	Entire	Entire
	banks	banks	banks	banks	banks	banks	banks	banks
Independent variable	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY
INCOMEVOL	0.410*** [3.69]		0.392** [2.50]		0.263*** [2.88]		0.140*** [2.67]	
COMPINCOMEVOL		0.397*** [3.74]		0.339** [2.49]		0.186*** [2.88]		l.075*** [2.69]
ISLAMICDUMMY					0.020* [1.70]	0.020* [1.70]	0.090 [0.80]	0.090 [0.79]
incomevol imes islamicdummy					0.209** [2.38]		0.231** [2.24]	
$COMPINCOMEVOL \times ISLAMICDUMMY$						0.206** [2.43]		0.182** [2.27]
SIZE	-0.588***	-0.564***	_0.079	-0.071	-0.117*	-0.106*	-0.098	−0.088
	[-3.48]	[-3.51]	[−1.40]	[-1.33]	[-1.74]	[-1.67]	[-1.51]	[−1.45]
REALESTLOAN	-0.107	-0.099	-0.143**	-0.145**	-0.143***	-0.144***	-0.132**	-0.134**
	[-0.95]	[-0.86]	[-2.54]	[-2.56]	[-2.83]	[-2.86]	[-2.46]	[-2.50]
ROA	0.869***	0.870***	0.764*	0.759*	0.821***	0.818***	0.799**	0.794**
	[2.74]	[2.75]	[1.91]	[1.90]	[2.87]	[2.85]	[2.09]	[2.08]
OVERHEAD	0.834**	0.832**	0.148	0.156	0.251	0.260	0.121	0.130
	[2.60]	[2.60]	[0.69]	[0.73]	[1.32]	[1.37]	[0.57]	[0.61]
DIVERSIFICATION	0.095**	0.097**	0.037	0.036	0.047	0.046	0.047	0.046
	[2.06]	[2.09]	[1.20]	[1.18]	[1.64]	[1.63]	[1.47]	[1.45]
RLAW	_0.025**	_0.024**	0.004	0.004	0.003	0.003	0.014	0.014
	[_2.23]	[_2.11]	[0.40]	[0.42]	[0.35]	[0.28]	[1.41]	[1.38]
SRIGHT	-0.056***	-0.055***	-0.068***	-0.068***	-0.029*	-0.030**	-0.029*	-0.030**
	[-3.25]	[-3.17]	[-7.55]	[-7.56]	[-1.95]	[-2.01]	[-1.92]	[-1.97]

Panel B: Performance of Islamic Banks C	Compared With (Conventional Ban	ks in Term of Liquio	dity.				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire banks	Entire banks	Entire banks	Entire banks
Independent variable	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY
ENTRY	-0.029	-0.03 I	0.008	0.008	-0.003	-0.004	-0.002	-0.003
DEPINS	[-1.25] -0.136** [-2.21]	[-1.39] -0.146** [-2.43]	[1.30] 0.220*** [3.54]	[1.31] 0.220*** [3.55]	[-0.37] -0.155*** [-4.21]	[-0.47] -0.159*** [-4.36]	[-0.20] -0.153*** [-4.25]	[-0.26] -0.156*** [-4.36]
GDPGR	-0.014	-0.014	0.010	0.011	0.007	0.008	0.008	0.008
INFLATION	[-1.66] 0.001	[-1.55] 0.001	[1.59] 0.000	[1.63] 0.000	[1.32] 0.000	[1.38] 0.000	[1.28] 0.000	[1.32] 0.000
MENA	[0.51] -0.132* [-1.86]	[0.49] -0.150** [-2.22]	[0.84] 0.298*** [7.15]	[0.81] -0.306*** [-7.32]	[0.88] -0.163*** [-3.54]	[0.76] -0.171*** [-3.72]	[0.73] -0.197*** [-4.19]	[0.66] 0.204*** [4.33]
SIZE $ imes$ ISLAMICDUMMY							-0.013**	-0.013**
REALESTLOAN $ imes$ ISLAMICDUMMY							[-1.98] 0.024 [0.34]	[-2.06] 0.026 [0.37]
roa $ imes$ islamicdummy							0.123	0.129
overhead $ imes$ islamicdummy							[0.29] 0.579**	[0.30] 0.578**
Diversification $ imes$ islamicdummy							[2.05] 0.016	[2.05] 0.017
RLAW imes ISLAMICDUMMY							[0.39] 0.016**	[0.42] -0.016**
sright $ imes$ islamicdummy							[-2.56] 0.002	[-2.54] 0.002
ENTRY $ imes$ ISLAMICDUMMY							[0.26] 0.002 [0.17]	[0.29] 0.002 [0.19]

Panel B: Performance of Islamic Bank	s Compared With C	Conventional Ban	ks in Term of Liqui	dity.				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Islamic banks	Islamic banks	Conventional banks	Conventional banks	Entire banks	Entire banks	Entire banks	Entire banks
Independent variable	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY	LIQUIDITY
DEPINS $ imes$ IslamicDummy							0.005	0.005
							[0.15]	[0.18]
GDPGR $ imes$ islamicdummy							-0.00 I	-0.001
							[-0.20]	[-0.18]
INFLATION $ imes$ ISLAMICDUMMY							0.000	0.000
							[0.04]	[0.03]
Mena $ imes$ islamicdummy							0.083**	0.084**
							[2.26]	[2.28]
Country fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.698***	0.711***	0.290***	0.293***	0.261**	0.273**	0.197	0.206
	[3.17]	[3.26]	[3.35]	[3.41]	[2.18]	[2.29]	[1.46]	[1.53]
Observations	882	882	5,084	5,084	5,966	5,966	5,966	5,966
Adjusted R^2	.370	.369	.209	.208	.211	.210	.224	.224

Note. This table presents regression of liquidity on asset risk and control variables for the sample of Islamic and conventional banks excluding hybrid banks. The dependent variable *LIQUIDITY* is all liquid assets scaled by total asset. *INCOMEVOL* is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5-year period. *COMPINCOMEVOL* is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5-year period. *ISLAMICDUMMY* is an indicator variable set to 1 if a bank is an Islamic bank, and to 0 otherwise. *SIZE* is the natural logarithm of (1 + total assets) of each bank. *REALESTLOAN* is loans and leases divided by total assets. *ROA* is net income divided by the average total assets. *OVERHEAD* is non-interest expense divided by average total assets. *DIVERSIFICATION* is non-interest income divided by total operating income. *RLAW* is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). *SRIGHT* is an index from 1 to 5 to aggregate the following shareholders' rights: one share—one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). *ENTRY* is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). *DEPINS* is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise. International Coustor price index (CPI) from year to year. *MENA* is an indicator variable set to 1 when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust t statisti

8

	(1)	(2)	(3)	(4)
	Islamic banks	Conventional banks	Entire sample	Entire sample
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP
INCOMEVOL	0.342**	0.169	-0.126	0.215
ISLAMICDUMMY	[2.45]	[1.63]	[-0.37] -0.021	[1.21] 0.455***
incomevol imes islamicdummy			[-1.44] 0.237	[2.73] 0.769*
SIZE	-0.007**	0.015***	[1.03] 0.009**	[1.76] 0.026***
ROA	[-2.01] 0.882*	[-3.56] -0.606	[-2.06] 0.293	[-3.21] -0.612
REALESTLOAN	[1.83] 0.058	[-0.98] -0.035	[1.00] 0.068	[-0.84] -0.086
OVERHEAD	[-0.59] -1.120	[-0.49] -0.413	[-0.87] 0.185	[-1.09] -0.302
DIVERSIFICATION	0.016	[-0.65] -0.050	[0.51] 0.034	[-0.53] -0.040
SRIGHT	[0.42] 0.032	0.001	0.011	0.001
DEPINS		0.010	0.020	0.026
RLAW	[-2.11] 0.014	[0.52] 0.011*	[-0.67] 0.011	[0.80] 0.005
ENTRY	0.010	0.015**	0.005	[0.50] 0.014
MENA	[0.85] 0.171**	[2.41] 0.071***	[0.54] 0.119***	[1.74]* 0.127***
GDPGR	[2.41] 0.003	[4.21] 0.000	[2.91] 0.000	[4.05] 0.001
INFLATION	[0.77] 0.004**	0.000	-0.001	[0.14] 0.000
SIZE $ imes$ ISLAMICDUMMY	[-2.21]	[-0.01]	[-1.39]	[-0.10] -0.059***
roa $ imes$ islamicdummy				[-4.96] I.238
Realestloan $ imes$ islamicdummy				[1.61] 0.064
overhead $ imes$ islamicdummy				[0.64] 0.604

Supplemental Table 6. Sample. The Performance of Islamic Versus Conventional Banks for the Matched

Supplemental Table 6. (continued)				
	(I)	(2)	(3)	(4)
	Islamic banks	Conventional banks	Entire sample	Entire sample
Independent variable	LNCAP	LNCAP	LNCAP	LNCAP
diversification $ imes$ islamicdummy				[0.95] 0.012
depins $ imes$ islamicdummy				
ENTRY $ imes$ ISLAMICDUMMY				0.008
Sright $ imes$ islamicdummy				[-0.62] -0.002
RLAW $ imes$ ISLAMICDUMMY				0.013
mena $ imes$ islamicdummy				-0.013
GDPGR $ imes$ islamicdummy				-0.29J
Inflation $ imes$ islamicdummy				-0.003*
Country fixed-effects	Yes	Yes	Yes	[-1.66] Yes
Time fixed-effects Constant	Yes 0 377*	Yes 0 33	Yes 0 387***	Yes 0 148
	[1.95]	[1.21]	[3.12]	[1.25]
Adjusted R ²	.534	.530	.608	.666
Note. This table presents regression of capits banks and matched sample of conventional residence. The dependent variable LNCAP	al buffer on ass banks. The m is the capital	set risk and control v atched sample is bas buffer calculated as	rariables for the s sed on bank size logarithmic trans	ample of Islamic and country of form of Tier I
regulatory capital to total assets. INCOMEVO	L is firm-specifi	ic standard deviation	of annual income	, expressed as a
set to 1 if bank is an Islamic bank, and to 0	otherwise. SIZ	E is the natural logar	ithm of (1 + tota	l assets) of each
bank. ROA is net income divided by the ave	erage total asse	ets. REALESTLOAN is	loans and leases	divided by total

divided by total operating income. *GDPGR* is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. *INFLATION* is change of customer price index (CPI) from year to year. *DEPINS* is an indicator variable that sets to 1 if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüç-Kunt et al., 2008). *MENA* is an indicator variable that sets to 1 when Islamic banks are located in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income year fixed-effects. Robust t statistics adjusted for firm-level clustering are reported in brackets. produced by the risk-rating agency International Country Risk (ICR). All models include country fixed-effects and (La Porta et al., 1998). RLAW is a scale from I one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism in Barth et al. (2001). SRIGHT is an index from 1 to 5 to aggregate the following shareholders' rights: one sharesum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. ENTRY is the to 10 to measure the quality of law enforcement in a country, ich ble ā _ of nic a