

Brought to you by [INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA](#)

Scopus

[Back](#)

Capital requirements – risk taking/stability nexus during the global financial crisis and COVID-19: international evidence of Islamic banks

[Journal of Islamic Accounting and Business Research](#) • Article • 2025 •

DOI: 10.1108/JIABR-02-2023-0044

[Ding, Xiao Ling](#) ; [Haron, Razali](#) ; [Hasan, Aznan](#)

IIUM Institute of Islamic Banking and Finance, International Islamic University Malaysia, Kuala Lumpur, Malaysia

[Show all information](#)

3 72th percentile

Citations

0.80

FWCI

[View PDF](#)

[Full text](#)

[Export](#)

[Save to list](#)

[Document](#)

[Impact](#)

[Cited by \(3\)](#)

[References \(62\)](#)

[Similar documents](#)

Abstract

Purpose: This study aims to determine how Basel III capital requirements affect the stability of Islamic banks globally during the global financial crisis and the COVID-19 pandemic.

Design/methodology/approach: The secondary data for all Islamic banks worldwide from 2004 to 2021 is obtained from the FitchConnect database. The main technique was a two-step generalized method of moment (GMM) system, and the data were tested using pooled ordinary least squares, fixed effects and difference GMM models for robustness checks. **Findings:** Regression results support the moral hazard hypothesis based on evidence that both the total capital ratio and the Tier 1 capital

ratio have a statistically significant positive impact on the stability of Islamic banks globally. Furthermore, neither the global financial crisis of 2008–2009 nor COVID-19 (2020–2021) significantly impacted the stability of Islamic banks worldwide. The results are robust across alternative measures of stability, capital buffers, dummy variables and estimation techniques. According to the descriptive statistics, the number of Islamic banks that disclose their regulatory capital ratios to the public has increased over the study period, and the mean of total capital and Tier 1 ratios are considerably greater than what is required by Basel II and Basel III. Research limitations/implications: Bankers, regulators and policymakers should benefit from the evidence on capital and risk management in Islamic banking according to Basel Committee on Banking Supervision (BCBS) and Islamic financial services board (IFSB) international standards in various jurisdictions. Originality/value: This research builds on earlier studies that were both beneficial and instructive by exploring the relationship between BCBS and IFSB capital guidelines and the trustworthiness of Islamic banks in greater depth. This study uses numerous capital ratios, buffers and stability measures to provide an international context for research on Islamic banking. In addition, the database is up-to-date to include information about the COVID-19 pandemic aftereffects in the year 2021. This study also introduces the Basel membership of Islamic banks to provide context for countries still at the Basel II stage or are yet to begin implementing the Basel III international standard. © 2023, Emerald Publishing Limited.

Author keywords

Basel III; Capital ratios; GMM; Islamic bank; Stability

Corresponding authors

Corresponding
author

X.L. Ding

Affiliation

IIUM Institute of Islamic Banking and Finance, International Islamic
University Malaysia, Kuala Lumpur, Malaysia

Email address

ayisha.ding@hotmail.com

© Copyright 2025 Elsevier B.V., All rights reserved.

Abstract

Author keywords