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1 of 1

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## Determinants of capital structure decisions among publicly listed Islamic banks (Article) [\(Open Access\)](#)

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### Abstract

This research aims to examine bank specific, market and regulatory determinants of leverage and capital structure based on a panel data of publicly listed Islamic banks in 12 countries over the period 2008-2017. Apart from testing standard corporate finance parameters using both OLS and M-Estimators, this study adds several idiosyncratic and regulatory environment related determinants of leverage unique to Islamic banks. The significance of potential determinants is tested for market and book leverage as well as newly introduced 'Islamic banking leverage'. Overall, the results show that Islamic banks with higher growth opportunities, tangibility, low profitability and low risk are likely to have a high leverage. Similarly, the findings suggest important role played by debt market conditions, share of investment accounts and regulatory environment in such decisions, providing an evidence of the significance of trade-off and pecking order theory in capital structure in Islamic banks. The results are more robust for market and Islamic banking leverage, rather than book leverage. The findings offer insights to regulators, standard setters and especially Islamic banks regarding parameters to strengthen their capital, enhance resilience and thus contribute to the stability of relevant financial. This paper is among the few extant studies that focus on listed Islamic banks and tests determinants based on stock market data. © 2019 by the authors; licensee Growing Science, Canada. All rights reserved.

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