

Exploring the Relationship between Oil Company Disturbances and Islamic Finance: The Role of Islamic Banks

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Abstract: This paper explores the relationship between oil shocks and Islamic financing, focusing on the role of Islamic banks. This topic is of great interest because the three oil shocks of 1973, 1979, and 2008 not only enriched the Gulf countries but also stimulated the growth of the Islamic financial sector, particularly through deposits and sukuk. The sample includes 13 Gulf and Southeast Asian countries, representing major niches of Islamic financing, from 1995 to 2012. The methodology uses a static panel data model to study the impact of oil revenues on Islamic banking assets. Results show a strong positive correlation between Islamic banking assets and oil revenues, highlighting that growth in oil revenues promotes the expansion of Islamic banking assets, with statistically significant coefficients for oil profits, GDP per capita, and national economies. These results suggest that Islamic banks benefit significantly from oil price fluctuations, strengthening the interconnection between the oil sector and Islamic financing.

Keywords: Islamic Financing, Oil Shocks, Islamic Banks, Panel Data, Oil Revenues