

## The impact of the global financial crisis on marketing financial services by Kuwaiti Islamic and Conventional Banks analytical study

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### Key Words

Global, Financial, Crisis, Marketing, Banking, Islamic

### Abstract

*The aim of this research is to assess the level of involvement of NBK & KFH banks in marketing activities. an attempt will also be made to analyze the recent developments in the marketing activities of the banks. Critical marketing factors in the industry will be identified and the level of preparations of the Kuwaiti banks to meet the challenges ahead will be evaluated and provide protection against risks. The crisis revealed that there is no alternative to the banking system in the implementation of the policies and observance of the fact that banking system represents a lifeline the economy. Islamic banking and finance activities are expected to grow even more rapidly in the foreseeable future providing sophisticated products and financial services. Based on our research, we think that it is very important to Islamic banks in Kuwait to pursue diversification by giving more focus to profit-loss- sharing financing instruments like Moradabad and Mishawaka. This will support the ethical and social expected role of Islamic finance industry.*

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### Part one: Resarch Methodology

#### 1.1 Introduction

As the global economic crisis took hold, Kuwait was affected through trade and financial channels. By the second half of 2008, Kuwaiti government finances and external stations were directly affected by the decline in oil prices and demand. At the same time, Kuwait underwent reversals of speculative capital inflows experienced in 2007 and early 2008.

These developments tightened liquidity conditions and affected investor confidence, and the ensuing global liquidity shortages and deleveraging Kuwaiti financial sector imbalances came to the fore, especially it is close linkages with global equity and credit markets ,this has led to different survival strategies being adopted by the banks.

A major component of these survival strategies is the adoption of better marketing services; it is generally believed that most of the problems in the industry are not unconnected with the absence or inappropriate application of marketing practices.

#### 1.2 statement of the problem

the problem of this research is that the stability and appropriateness of the banks has been effected or changed after the crisis, so we need to clarify what changes have been occurred to the marketing services, in both Islamic and conventional banks, and the damages that

resulted from the world financial crisis to avoid or solve them, also how can we face such crisis in the future through risk management and to feel the high importance of the risk management departments in such organization we have to analyze and evaluate the risk management in both banks.

### 1.3 Research Objective

This study aims to investigate the effects of the global financial crisis on the marketing services in Islamic banks vs. conventional banks in Kuwait. The main objectives of this study are as follows:

1. Researcher is trying to Recognizes the performance of marketing services, to compare the financial performance of Islamic banks and conventional banks in Kuwait.
2. To evaluate and analyze the financial risks and their effects on marketing services of Islamic banks and the conventional banks in Kuwait.
3. Focus on marketing services, which should receive a larger of attention in the organizational structure of the Bank
4. To investigate the relationship between financial performance of Islamic and conventional banks in Kuwait

### 1.4 Research Questions

Banks are the most significant players in the Kuwait financial market. They are the biggest purveyors of credit, and they also attract most of the savings from the population. The product line of a bank might easily include more than 100 different services. In today's competitive scenario it has become very necessary for a bank to provide its customers with a wide variety of services and best technology in order to attract them.

So this study aims to answer the following questions:

1. Is there any significant difference between the effects of the global crisis on the financial marketing services of Islamic and conventional banks in Kuwait?
2. What is the relationship between financial performance of Islamic and Conventional banks in Kuwait and the risk management?
- 4- Is the global financial crisis have directly affected on Marketing Financial Services?

### 1.5 Research population & Sample

The method that the researcher adopts in this study is the descriptive research. It depends on selecting data and Information by the research community Depending on two surveys questionnaire distributed among commercial & Islamic Kuwaiti banks operating in the state of Kuwait. Includes:

1. Kuwait National Bank (NBK ) (as a commercial bank)
2. Kuwait Financing House (KFH) (as an Islamic bank).

**Research sample** was selected branches and risk management department of the NBK which is one of other 7 conventional banks and KFH which is one of other 5 Islamic banks in Kuwait and has been selected a sample of (60) employees randomly representing (10%) of the research community

## 2 Part Two: Literature Review

### 2.1 Introduction

Due to the observed significant growth in Islamic finance industry, this industry was a subject of many studies and papers in last decade. In this part we tried to review some of these literatures about Islamic finance and Islamic banking. We tried to indicate both views about

Islamic banking; the advocators and the critics. We tried also to review the views about the actual situation of Islamic banking compared to the theoretical principles of this industry. And at the end of part we added a review about the Islamic banking in Kuwait

## 2.2 Previous Related Studies

**2.2.1 Diederik van Schaik (2001): Islamic banking a scientific paper in The Arab Bank Review Journal Vol. 3, No. 1 - April 2001.** This scientific paper has provided a brief overview of the theory of Islamic banking. Seven of the main principles of Islamic economics have been discussed, and, from these principles, two rules have been deduced. First of all, the prohibition of Riba. Second, to avoid Riba, profit- and loss-sharing has been presented as an alternative way of financing. Two modes of PLS presented in this article are joint ventures and trust financing. Islamic banks should base their operations on these two contracts. However, we have seen that the reality is different. Islamic banking is only halfway to reaching its objectives. It has managed to Islamic its deposits. But, on the other hand, it has failed to base its financing operations on the idea of profit- and loss-sharing. The main method of financing remains trade financing, which is short-term, predictable and low-risk. Its popularity is mainly due to the risk-aversion of Islamic banks. But one of the aims of Islamic banking is to develop Muslim economies by risk-sharing between partners. Islamic banks therefore do not fully assume their responsibility, because trade financing does not contribute much to development. Looking toward the future, the main challenge for Islamic banking is to find more successful methods of medium- and long-term financing, based on PLS.

**2.2.2 Connie L. Vachowiak (2006): Cost Benefit Analysis of Marketing Efforts In A Bank, a Master Thesis presented to the Graduate School - University of Wisconsin-Stout - USA.** This research focused on Bank of Wausau's current marketing efforts to see if money was being well spent in attracting customers. Although a direct cost benefit analysis could not be done pertaining to each marketing effort, it can be concluded that the bank's marketing dollars are being put to good use. People are starting to become more and more aware of who Bank of Wausau is and are seeing quite a few of our advertisements. The survey results indicate this, as well as the growth in our clients and deposits. The bank do not have a huge market share in the community, and quite a large percent of the population have not seen any ads for Bank of Wausau or do not know any of our lenders or customer service staff, optimistic view of the researcher was that this will improve as time goes by

**2.2.3 Barbara Hruzova (2009): Marketing Strategies during Financial Crisis Master Thesis presented to Halmstad University - Sweden**

The purpose of this thesis was therefore to examine how Swedish food retailers adapt their marketing strategies to the changing consumer buying behavior during the financial crisis. No business sector has gone untouched by the worldwide financial crisis, also not the Swedish food retail sector. The results of this study show that the companies have recognized and understood the changes in their customers buying behavior, and all made changes in the four variables of their marketing mixes

**2.2.4 Samir Abderrazek Srairi (2009): Factors Influencing the Profitability of Conventional and Islamic Commercial Banks in GCC Countries Scientific Paper presented to the Review of Islamic Economics, Vol. 13, No. 1, 2009, pp. 5-30.** This paper examined the impact of bank characteristics, macroeconomic indicators and financial structure on the profitability of conventional and Islamic commercial banks operating in the Gulf Cooperation Council (GCC) countries for the period 1999-2006. In the context of liberalization, the financial landscapes in GCC countries such as Kuwait, Qatar,

Saudi Arabia, and the UAE have undergone significant changes (new licenses to Islamic and foreign banks, new financial free zones in Qatar, Dubai, and Ras Al Kaimah) that posed great challenges to the banks. These changes increased local competition and could have some impact on banks' performance.

**2.2.5 Mareyah Mohammad Ahmad, an Dr. Dayanand Pandey (2010): Are Islamic banks better immunized than Conventional banks in the current economic crisis? A scientific research paper presented to 10th Global Conference on Business & Economics - Rome, Italy (ISBN : 978-0-9830452-1-2)** This paper analyzed the comparative performance of Conventional Banks vis-à-vis Islamic Banks during the period of the recent economic crisis. Utilizing bank level data, the research examines the performance indicators of Islamic Banks versus Conventional Banks in the Gulf Cooperation Council (GCC), using financial ratios during the quarters of 2006-2009.

### **Thesis Findings in relevance to the following**

**Growth of Assets and Liabilities:** The percentage growth of Islamic bank's assets compared to Conventional banks was much faster and higher, even during times of slow economy and recession when banks were conservative in lending and financing activities. Conventional banks' booked higher liabilities growth rates compared to assets, which explains the reason for higher cost of funds.

**Profitability:** Islamic banks are more profitable than Conventional banks in terms of Return on Average Assets (ROAA) which means that Islamic banks' assets are more profitable in generating revenues, and that Islamic banks' management are more efficient in using its assets to generate earnings.

**Efficiency:** Conventional banks are better off than Islamic banks in terms of generating interest income from their Earning Assets or Loans in addition to non interest income as a source of non-funded income; thereby reducing capitalization, risk and improving diversification for Conventional Banks' sources of revenue.

**Assets Quality:** It is generally observed that Islamic banks have booked more impaired loans and Loan reserves than conventional banks, which can indicate that the credit policy of Conventional banks in reserves and provisioning is more conservative than Islamic banks especially when considering the issue of volatility for Islamic banks.

**Capitalization Ratios:** Islamic banks are more capitalized in terms of their risk-weighted assets compared to Conventional banks.

**Leverage Ratios:** Conventional banks are more leveraged than Islamic banks in terms of depending more on debts and liabilities than Islamic banks. This explains the reason as to why interest expenses are higher for Conventional banks.

**Liquidity Ratios:** Islamic Banks are highly dependent on their investment deposits in their financing activities leading to high level of liquidity ratios compared to Conventional banks. This is reflected in the Net income margin from Financing Activities of the Islamic banks as it is cheaper to depend on customer deposits, as a source of funding based on (PLS) system compared to Conventional banks which sources through other channels such as money market, inter-bank activities

**2.2.6 Dr.Abu Hassan (2011): The Global Financial Crisis and Islamic Banking** A scientific research paper presented to the Islamic Economics Unit, the Islamic Foundation, UK. This paper has focused on financial crisis in the global conventional financial market and points out the various factors that have contributed to the crisis. The Islamic view on such factors is presented and shows how Islamic economic system can help to bring stability which

the world needs. A true Islamic principle prohibits the paying or receiving of interest (riba) as well as the artificial creation of money via the process of fractional reserve. This fractional reserve creates a huge problem in the economy as very little equity can be used as collateral to borrow large sums of money; this is what creates a financial bubble. In the midst of such an unprecedented crisis Islamic banking and finance is witnessing phenomenal growth with the global value of Islamic finance approaching \$1 trillion. This has led to some research and interest. In Islamic banks act in the line of venture capital firms collecting people's wealth and investing it around the economy, then distributing the profits amongst its depositors. The perspective a key consequence of permitting both creation of credit/ money and interest based lending is to allow banks and other financial institutions to generate massive amounts of wealth at the expense of the rest of society.

Proponents of Islamic banking and finance industry have already predicted that the industry may have a remedy and this fast-growing industry can come forward to solve the financial crisis. While the relatively small size of the Islamic finance industry may make this unrealistic at the moment, there exists an unprecedented opportunity to present the details of the Islamic economic system as well as the solutions Islamic finance has for some of the current problems.

**2.2.7 Salad Addawe (2012): What are the impacts of the global financial crisis on Islamic banking and how Islamic bank spared from the crisis? Master's thesis presented to Aalto University - USA,** The objective of the study was to investigate what are the impacts of the global financial crisis on Islamic banking system and how Islamic bank spared from the current global financial crisis. To understand the issue some important sub questions were investigated such as the differences between Islamic and conventional banking model, modes of financing by the Islamic bank, differences in corporate governance and how Interest-free banking system works in general. The result indicates that Islamic banks are more resilient than conventional banks in the face of the global financial crisis. Because modes of financing and corporate governance of Islamic banking are different from those of conventional banking, this assisted the IBs to spare from the current global financial crisis. Factors that enabled the Islamic banks to shield form crisis were seen as asset backed financing.

### **.. 2.3 Overview of Effects of global crisis on the Banking in Kuwait**

The global economic crisis starting in 2008 on the Kuwaiti banking sector significantly. The banks have suffered from liquidity pressure, deterioration in asset quality, and mounting losses on account of higher impairment and provisions. This was further accentuated by a steep decline in GDP, and increased pressure on government finances. In terms of Liquidity, It is essential that the central bank of Kuwait should ease restrictions on credit growth; banks did not produce an increase in bank lending. The credit growth was low during 2009 with increasing warned banks about the provision of new loans due to weak credit conditions. Alternatively, some banks have benefited from the change of administration in the reduction of customer deposits very expensive, which has invested assets of liquid low-yield, and remained consistent with the requirements of the Central Bank, In the same range, the report expects to rise the cost of financing the government and will 24 result in the direction of banks to attract deposits and consumer if it want to strengthen the branches ( Ziyadat , 2010, P7 )

Kuwaiti banking industry remains challenging and is characterized by high competition among domestic banks. Banks like NBK, KFH, Boubyan and Al -Ahli bank have emerged stronger from the economic crisis though they all reported lower profits and increase in absolute



NPLs, exception being NBK. Kuwaiti banks performance turnaround is increasingly affected by the contraction in the local economy and exposure to risky asset classes.

## 2.4 Overview of the Banking Industry in Kuwait

Kuwaiti banking system is one of the strongest in the MENA region benefiting from a robust financial profile, strong support mechanism and limited competition from foreign banks. There are a total of 10 local banks and 9 international banks currently operating in the country. The banking system is in the evolution phase experiencing increasing competition, diversification, and product innovation which could pressure profitability. The banking system's strength stems from a supportive government policy and is further assisted by higher than average capitalization. This largely offsets the risks related to operating in a mono-line economy with a narrow customer base, and limited business opportunity. Capital Standards believes that the Kuwaiti banking system will remain protected despite entry of foreign banks to operate in Kuwait, given the nature of protectionism by the Central Bank of Kuwait (CBK) and the narrowness of the market

The National Bank of Kuwait (NBK) is more than twice the size of the next largest, the Gulf Bank, in terms of assets and deposits. Together, they own around fifty percent of the assets of conventional banks and dispense around the same proportion of total banking credit Kuwait has developed a preference for Islamic financial services over conventional ones, the profits from which have started to fade and is burdened with high debt levels driven by the crisis. Shariah-compliant financial services have shown healthy growth in during recent years, becoming a potential competitor for both conventional banks and investment houses. Hence conventional banks have been trying to acquire stakes in Islamic bank which was evident by NBK increasing its stake in Boubyan banks up to 40%. Moreover Boubyan is planning a 50% capital increase rights' issue which is expected to be subscribed by NBK.

(<http://www.nbk.com>,2013)

Kuwait Finance House (KFH) is a pioneer of the banking phenomenon known as Islamic Finance or Shari'a compliant banking. It was the first Islamic bank established in the State of Kuwait and today it is one of the foremost Islamic Financial Institutions in the world. From its inception in 1977, KFH has grown into a robust banking and financial institution, as well as a leader in the Islamic financial industry. KFH is now a market leader not only in the Islamic banking industry, but also in the banking sector as a whole, providing a wide range of Shari'a compliant products and services covering banking, real estate, trade finance, investment portfolios and corporate, commercial and retail financial markets. (<http://www.kfh.com>2013)

### Part Three: The Display and the Analysis of the results 3.1 Introduction

In this part we will discuss our tests and their findings, a descriptive statistics of performance financial ratios will be represented.

**Table 1** show **Questionnaire forms for NBK and KFH**

Forms under analysis		Forms received		Forms distributed		Questionnaire forms
%	Number	%	Number	%	Number	
%73	44	%80	48	%100	60	NBK

  

Forms under analysis		Forms received		Forms distributed		Questionnaire forms
%	Number	%	Number	%	Number	
%78	47	%92	55	%100	60	KFH

### 3.2 The Display and the Analysis of the results of questions 4.3 Profitability Measures

A table (3 and 4) shows the descriptive statistics of profitability measures of both Islamic and conventional banks over the years 2005 to 2008. The empirical findings show that the means of all profitability measures of Islamic bank are little higher than these of conventional banks. All minimum values of profitability measures achieved by the Islamic bank are higher than these of conventional bank. Three out of four maximum values achieved by Islamic bank are higher than these of conventional banks. The maximum –Net Profit to Equity (ROE) %| is achieved by conventional banks although the higher mean is that of Islamic bank

**Table 2 Profitability measures of Islamic bank**

	Minimum	Maximum	mean	Std. Deviation
Banking Income to Assets%	5.89	9.14	8.0150	1.47111
Net Banking Income to Assets%	3.43	5.20	4.6300	.82012
Net Profit to Assets (ROA)%	2.24	3.70	2.9400	.60948
Net Profit to Equity (ROE)%	18.96	23.14	21.8375	1.95902

Source: SPSS.

An independent variables t-test was achieved to compare the means of profitability measures of both Islamic and conventional banks. The first profitability measure was –banking income to assets %| which is a measure of gross profitability before adjusting banking expenses. The second profitability measure was –Net Banking Income to Assets %| which is another measure of gross profitability after adjusting the banking expenses, but before adjusting the operating expenses. The difference is also statistically significant with  $S = 0.019 < 0.05$ . So, our hypothesis is also rejected for this measure.

The third profitability measure was –Net Profit to Assets (ROA) %| which is abroad measure of profitability. It is calculated by dividing net profit with total assets. It is an important measure of overall profitability or efficiency of resource utilization by the firm. The difference in this measure is statistically insignificant with  $p = 0.368$  which indicate that our hypothesis of means equality is accepted in this case.

The fourth profitability measure was –Net Profit to Equity (ROE) %| which is calculated by dividing net profit with equity. And it is considered the most important measure of profitability for equity investors. The difference in this measure is also statistically insignificant with  $p = 0.594$  which indicate that our hypothesis of means equality is accepted also in this case.

### 3.4 Analysis Display and analyze the results of study questions

Analysis of participants answers to the first part of the survey's measure of a questionnaire on risk as following in next tables:

Analyzing the results of the responses of the respondents to the second axis of the phrases axes survey's measure of employee information about risks in general and According to tables (8-9), the percentages of the axis 2

The phrases of this style organized in a descending way:

- For the first phrase (Do you have in your bank risk management?) Show that 72.7% said strongly agree in NBK While 78.7 % in KHF
- For the second phrase (Does your bank have organizational structure for risk management?) Show that 59.1% said strongly agree in NBK While 55.3% in KHF
- For the third phrase (Is interested in your bank risk management and considers it a priority?) Show that 72.7% said strongly agree in NBK While 48.9% in KHF

- For the fourth phrase (Is risk management the strategy of your bank?) Show that 61.4 % said strongly agree in NBK While 55.3 % in KHF
- For the fifth phrase (Do you apply Basel Committee standards?) Show that 47.7% said strongly agree in NBK While 27.7% in KHF
- For the sixth phrase (Is the collapse of global banks due to poor risk management?) Show that 45.5% said strongly agree in NBK While 27.7 % in KHF this result because the principles of management it is different because KHF depend on Islamic law

### 3.5 Analysis and discussion:

It is clear from the results of the study that there is a positive relationship between both banks and the Staff in both banks have a good knowledge about the risks in banks.

#### 1- Third axis: measure the risk and minimize the potential negative impacts:

Table 3 show mean, mode, deviation between items axis three in NBK

StatistN						
	Do you have a system for measuring risk management	Does your bank in researches for the development of crisis management tools?	Has your bank development and organizational unit tracking senior management to manage risk?	Does Crisis Management in the bank strategies and procedures are clear and comprehensive?	Takaful insurance plays an important role in the coverage of risks?	Does Your Bank system follow a periodic report on risk management
Valid	44	44	44	44	44	44
Mean	4.3636	4.3182	4.3864	4.3409	4.2273	4.2273
Mode	5.00	4.00	5.00	5.00	5.00	5.00
Std. Deviation	.74991	.67420	.72227	.71343	.77350	.80301

Table 4 show mean ,mode ,deviation between items axis three in KF

Statistics (KFH)						
	Do you have a system for measuring risk management	Does your bank in researches for the development of crisis management tools?	Has your bank development and organizational unit tracking senior management to manage risk?	Does Crisis Management in the bank strategies and procedures are clear and comprehensive?	Takaful insurance plays an important role in the coverage of risks?	Does Your Bank system follow a periodic report on risk management
Valid	47	47	47	47	47	47
Mean	4.3404	3.9787	4.1489	4.2553	3.9149	4.1064
Mode	5.00	4.00	4.00	4.00	4.00	5.00
Std. Deviation	.81498	.64232	.75119	.67464	.80298	.86562

#### Analysis Table (3-4)

By measuring the risk, we find the results in both tables(10-11) are too close together , as



we see in question1 (Do you have a system for measuring risk management)the results for NBK was mean=4.3636 Mode=5,std.deviation=0.7499 and if look to the result in table 11 for KHF. We will find mean=4.3404, mode=5 ,std .deviation =0.81498 and Through these results, we find that both banks have converged systems in measuring risk , and if look to question2 (Does your bank in researches for the development of crisis management tools?) in NBK we will find Mean=4.3182 ,mode =4 ,std.deviation =0.6742 , and for KHF mean=3.97,mode=4, std.deviation =0.6423 , so the results so close that means both banks close together in the measurement of risk and crisis management

## 2- The most effective tools and techniques available to manage risk:

Table 5 show mean, mode, deviation between items axis four in KFH

Statistics (KFH)						
	Takaful insurance companies	Commitment Promise	Fines for bounties	Sales promised in the lease	Typesetting rule	Effective supervision of the Manageme of the risks
Valid	47	47	47	47	47	47
Mean	4.4043	4.0213	3.5319	3.7447	3.7447	4.0000
Mode	5.00	4.00	4.00	4.00	4.00	4.00
Std. Deviation	.68078	.73690	.90532	.82008	.94335	.78019

Table 6 show mean ,mode ,deviation between items axis four in NBK

Statistics (NBK)						
	Takaful insurance companies	Commitment Promise	Fines for bounties	Sales promised in the lease	Typesetting rule	Effective supervision of the management of the risks
Valid	44	44	44	44	44	44
Mean	4.1591	4.0455	4.1591	4.0682	4.0227	4.3182
Mode	5.00	4.00	4.00	4.00	4.00 <sup>a</sup>	5.00
Std. Deviation	.91355	.77623	.74532	.75937	.95208	.88325

### Analysis Table(5-6)

By measuring the risk, we find the results in both tables(12-13) are too close together , as we see in question1 (Takaful insurance companies)the results for NBK was mean=4.1591 Mode=5,std.deviation=0.91355 and if look to the result in table 13 for KHF. We will find mean=4.404, mode=5 ,std .deviation =0.68078 and Through these results, we find that both banks have converged systems in Tools and techniques to manage risk , and if look to question2 (Commitment Promise?) in NBK we will find Mean=4.0455 ,mode =4 ,std. deviation =0.77623 , and for KHF mean=4.02,mode=4, std. deviation =0.736 , so the Results so close and when we compare the rest of the results of questions we find most of the results close to each other that means both banks close together in the Tools and techniques to manage risk.

Table 7 The Frequency, means and Deviation of the axis 3 in KNB

Q/N	Scale( NBK)										mean	Standard Deviation
	Strongly Agree		Agree		I do not know		Disagree		Strongly Disagree			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
1	23	52.3	14	31.8	7	15.9	0	0	0	0	4.3636	.74991
2	19	43.2	20	45.5	5	11.4	0	0	0	0	4.3182	.67420
3	23	52.3	15	34.1	6	13.6	0	0	0	0	4.3864	.72227
4	21	47.7	17	38.6	6	13.6	0	0	0	0	4.3409	.71343
5	19	43.2	16	36.4	9	20.5	0	0	0	0	4.2273	.77350
6	19	43.2	17	38.6	7	15.9	1	2.3	0	0	4.2273	.80301

Table 8 the Frequency, means and Deviation of the axis 3 in KHF

Q/N	Scale( KHF)										mean	Standard Deviation
	Strongly Agree		Agree		I do not		Disagree		Strongly Disagree			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
1	25	53.2	14	29.8	7	14.9	1	2.1	0	0	4.3404	.81498
2	9	19.1	28	59.6	10	21.3	0	0	0	0	3.9787	.64232
3	17	36.2	20	42.6	10	21.3	0	0	0	0	4.1489	.75119
4	18	38.3	23	48.9	6	12.8	0	0	0	0	4.2553	.67464
5	11	23.4	23	48.9	11	23.4	2	4.3	0	0	3.9149	.80298
6	19	40.4	15	31.9	12	25.5	1	2.1	0	0	4.1064	.86562

### Analysis Table (7-8)

Analyzing the results of the responses of the respondents to the third axis of the phrases axes survey's Measuring risk and minimize potential adverse effects and According to table (7-8), the percentages of the axis 3 . The phrases of this style organized in a descending way  
 - Do you have a system for measuring risk management  
 Show that 52.3 % said strongly agree in NBK While 53.2 % in KHF

The result convergent between banks

- -Does your bank in researches for the development of crisis management tools?
- Show that 43.2% said strongly agree in NBK While 53.2% in KHF
- The result show that KHF more caring about development of crisis
- Has your bank development and organizational unit tracking senior management to manage risk? Show that 52.3% said strongly agree in NBK While 36.2% in KHF the result show NBK more tracking about management risk

- Does Crisis Management in the bank strategies and procedures are clear and comprehensive? Show that 47.7% said strongly agree in NBK While 38.3% in KHF
- Takaful insurance plays an important role in the coverage of risks? Show that 43.2% said strongly agree in NBK While 23.4% in KHF
- Does Your Bank system follow a periodic report on risk management Show that 43.2% said strongly agree in NBK While 40.4% in KHF
- as we see from the results there some Convergence in the results at some points.

### 3- Risk management mechanism:

Table 9 show mean ,mode ,deviation between items axis five in NBK

(Statistics) NBK						
	Prudent risk management in the light of international standards	Merger	The principle of disclosure and accounting for Customer contracts	Investment in research and development	Precautions	Dependence on various investments
Mean	4.3864	4.2500	4.2955	4.3182	4.3409	4.2273
Mode	5.00	5.00	4.00	4.00	4.00	4.00
Std. Deviation	.65471	.75097	.63170	.70785	.56828	.93668

Table 10 show mean ,mode ,deviation between items axis five in KFH

Statistics (KFH)						
	Prudent risk management in the light of international standards	Merger	The principle of disclosure and accounting for customer contracts	Investment in research and development	Precautions	Dependence on various investments
Mean	4.6170	4.2553	4.2128	4.2128	4.1277	4.2128
Mode	5.00	4.00	4.00	4.00	4.00	4.00
Std. Deviation	.57306	.76522	.58741	.68955	.87519	.95408

### Analysis Table (9-10)

Through the mechanism of risk management in both banks, we find the following results (Prudent risk management in the light of international standards), the results for NBK was mean=4.6170, Mode=5 ,std.deviation=0.655 and if look to the result in table 17 for KHF we find mean=4.617,mode=5,std.deviation = 0.573 and about the (Merger)for NBK the Mean =4.25, mode=5 ,std.deviation =0.750 and in KFH for same question we find mean =4.2553 , mode =4 and std.deviation = 0.76522 so we find most of 82 the results close to each other that means both banks close together in mechanism of risk management.

### 4- Criteria for the evaluation of the success of the work of the World Bank:

Table 11 show mean, mode ,deviation between items axis six in NBK

<b>(Statistics ) NBK</b>						
	Lack of risk	Profit	Low expenses and spending	Adequate return for the owners of capital	Comparison between previous budgets	Diversified banking services
Mean	4.4773	4.6136	4.5227	4.5000	4.5227	4.3864
Mode	5.00	5.00	5.00	4.00 <sup>a</sup>	5.00	5.00
Std. Deviation	.59018	.53769	.50526	.50578	.59018	.94539

Table 12 show mean, mode, deviation between items axis six in KFH

<b>Statistics (KFH )</b>						
	Lack of risk	Profit	Low expenses and spending	Adequate return for the owners of capital	Comparison between previous budgets	Diversified banking services
Mean	4.3617	4.3830	4.2128	4.1064	4.0213	4.0851
Mode	5.00	5.00	4.00	4.00	5.00	4.00
Std. Deviation	.79196	.73878	.80585	.91447	.96660	.97423

#### Analysis Table (11-12)

Through the criteria for evaluating the work of the bank in the National Bank of Kuwait and Kuwait Finance House, and found for question (Lack of risk) In NBK mean =4.4733, mode=5, std. deviation =0.59018 and for KFH we found Mean =4.3617, mode = 5 but in std. deviation = 0.79196 so in KFH deviation, Slightly larger than NBK and for (profit) we found the deviation in KFH Slightly larger than NBK. This shows a great affinity in answers for employees in both banks.

Table 20 show Correlations statistics between items of axis one in KFH

<b>Correlations</b>							
		Do you have in your bank risk management?	Does your bank has organization al structure for risk management ?	Is interested in your bank risk management and considers it a priority?	Is risk management within the strategy of the bank?	Do you apply Basel Committee standards ?	Is the collapse of global banks due to poor risk management?
Do you have in your bank risk management?	Pearson Correlation	1	.619**	.382**	.547**	.057	.147
	Sig. (2-tailed)		.000	.008	.000	.706	.323
	N	47	47	47	47	47	47
Does your bank has	Pearson Correlation	.619**	1	.683**	.765**	.335*	-.078
	Sig. (2-tailed)	.000		.000	.000	.021	.601

organizational structure for risk	N	47	47	47	47	47	47
Is interested in your bank risk management and considers it a priority?	Pearson Correlation	.382**	.683**	1	.786**	.340*	.044
	Sig. (2-tailed)	.008	.000		.000	.020	.767
	N	47	47	47	47	47	47
Is risk management within the strategy of the	Pearson Correlation	.547**	.765**	.786**	1	.349*	.067
	Sig. (2-tailed)	.000	.000	.000		.016	.653
	N	47	47	47	47	47	47
Do you apply Basel Committee standards?	Pearson Correlation	.057	.335*	.340*	.349*	1	.405**
	Sig. (2-tailed)	.706	.021	.020	.016		.005
	N	47	47	47	47	47	47
Is the collapse of global banks due to poor risk management?	Pearson Correlation	.147	.078	.044	.067	.405**	1
	Sig. (2-tailed)	.323	.601	.767	.653	.005	
	N	47	47	47	47	47	47

Analysis the Correlation between the degree of each of the pivot questionnaire and a cumulative score the Table shows (20 ) that all correlation coefficients in all areas of the survey statistically significant at the level of significant ( $\alpha = 0.01$ ) and as such it is all axes questionnaire are honest and measure the desired goals

### 3.6 Analysis and discussion:

It is clear from the results of the study with regard to risk management that there is great interest by the banks' management ,and is considered one of the key priorities from the perspective of staff to risk management, according to the views of a sample study has proven that the bank attaches the highest importance in the organization and risk management and the development of appropriate strategies before putting indicates this interaction is required in order to achieve the goal of the bank, especially the need to take the views of departments having jurisdiction, thus giving a color of the exemplary cooperation between them, while we noticed a small percentage said that the Bank's management is not interested in risk management.

### 3.7 Discussion And Findings

In this part we achieved a descriptive statistical analysis of the financial Performance measures of both Islamic and conventional banks in Kuwait.

this study aims to answer the following questions:

1. Is there any significant difference between the effects of the global crisis on the financial marketing of Islamic and conventional banks in Kuwait?
2. What is the relationship between financial performance of Islamic and Conventional banks in Kuwait?



### 3.8 Conclusion, Recommendations, Conclusion

1. Kuwaiti economic performed well during the 2003–08 oil boom, but the boom also presented challenges. Buoyant economic activity, rising consumer and investor confidence, and abundant liquidity spurred excessive credit growth, inflation, and asset price increases, banks growing dependence on foreign financing and exposure to real estate, construction lending, and – to a lesser extent – the equity market, contributed to balance sheet vulnerability in the event of a slowdown in economic growth and a decline in asset prices.
2. After this analysis, In order to determine the reliability of the performance measures, financial ratios are subjected to independent-samples t-test. The Hypotheses accepted and analysis results indicated that the means of majority of used financial ratios are very close in both Islamic and conventional banks. The output of achieved t-test also indicated that our hypothesis of equality of means is accepted in most of these ratios, which supports our idea, as we think the services provided by Islamic banks are very close to these provided by conventional ones, so, we expected no significant difference in their performance and as we see from the results there some Convergence in the results at some points.
3. By avoiding such instruments, the real activities and services of Islamic banks became strongly close to those provided by conventional banks. 88 Although all these criticisms and doubts about Islamic banking, it continued growing fast and gaining lots of attention from different parties in the local, regional, and even the global market.
4. It is clear from the results of the study regarding the measurement risks and minimize its potential negative impacts that there bank based special studies to develop tools and methods Islamic risk management and also the development of an organizational unit independent tracking senior management or the Board of Directors carries out risk management, while the bank withholds identification periodic report as Takaful insurance does not play an important role in covering the risks.
5. The crisis revealed that there is no alternative to the banking system in the implementation of the policies and observance of the fact that banking system represents a lifeline the economy.
6. Islamic banking and finance activities are expected to grow even more rapidly in the foreseeable future providing sophisticated products and financial services. Based on our research, we think that it is very important to Islamic banks in Kuwait to pursue diversification by giving more focus to profit-loss- sharing financing instruments like Mudaraba and Musharaka. This will support the ethical and social expected role of Islamic finance industry.

### Recommendations

1. Islamic banking and finance activities are expected to grow even more rapidly in the foreseeable future providing sophisticated products and financial services. Based on our research, we think that it is very important to Islamic banks in Kuwait to pursue diversification by giving more focus to profit-loss- sharing financing instruments like Mudaraba and Musharaka. This will support the ethical and social expected role of Islamic finance industry. The Islamic banks also should decrease their dependence on debt-like financing instruments like Murabaha and Ijara, which form more than 90% of Islamic banks operations, as mentioned in some studies.

2. We think also the rapid growth of Islamic banking is supported by religious emotions of Muslim people; it is not based on a real competition in performance between Islamic and conventional banks. We think that Islamic banks should focus more in improving their efficiency for benefits of both owners and customers.

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