

Covid-19's Impact on Credit Risk and Bank Profitability: Evidence from Palestine's Islamic and Conventional Banks

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Abstract

Credit risk represents one of the most substantial and significant risk exposures faced by banks. This study empirically assesses the influence of credit risk on the profitability of Islamic banks and conventional banks operating in Palestine. Additionally, it seeks to determine if there is a noteworthy disparity in the impact of credit risk on the profitability of Islamic and conventional banks. The study also investigates the interactive effect of the Covid-19 pandemic on credit risk factors to ascertain whether the pandemic has affected the profitability of both types of banks. The analysis draws on data from 13 banks, encompassing 11 conventional banks and two Islamic banks, spanning the period from 2011 to 2020. Secondary data have been gathered from the Palestinian Monetary Authority (PMA), the annual financial reports of individual banks, and information available from the Association of Palestinian Banks. Furthermore, macroeconomic data have been sourced from the World Bank Data Bank. Banks' profitability is assessed using two key indicators: Return on Assets (ROA) and Return on Equity (ROE). Credit risk variables are measured through the non-performing loan ratio, loan provision to gross loans, and capital adequacy ratio. Additionally, a set of macroeconomic and micro-control variables are examined. Employing panel regression analysis, the study reveals that credit risk significantly impacts the profitability of both Islamic and conventional banks. However, this impact varies depending on the profitability measure used. While credit risk notably influences ROA, it does not significantly affect ROE. Moreover, the study discerns that the influence of credit risk on the profitability of Islamic banks differs from that of conventional banks. Furthermore, the study finds that the heightened credit risk experienced during the Covid-19 pandemic has had an insignificant impact on the profitability of both types of banks.

Keywords: COVID-19, Credit Risk, Profitability, Islamic Banks, Conventional Banks, Palestine, Panel Regression

1. Introduction:

The banking sector plays an essential role in economic growth around the world. In **their endeavor to offer banking services and** maturity transformation, **banks** are exposed to a vast array of risks that distinguish them from other **business** organizations. One of the most prominent and considerable risks **faced by** banks is credit risk. Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations by agreed terms [11]. [1] mention that credit risk is an essential factor in determining the banks' profitability as the majority of credit revenues are created by interest **spread**.

Furthermore, the Covid 19 pandemic, which started in the year 2020, had a disruptive effect on the world's economies and increased the vulnerability of the global financial system. Furthermore, due to the long shutdown period in Palestine, the notional amount of defaulted loans has increased. Therefore, the quality of the loan portfolios has declined, which led banks to tighten credits in anticipation of high defaults.

Due to the importance of managing this risk, many studies have examined the impact of credit risk on banks' profitability. The majority of the studies find a significant negative relationship between credit risk and banks' profitability [2-8] Concerning Palestine, [9] finds a positive but insignificant relationship between credit risk and profitability (ROA). He claims that this result is due to the realization of banks' credit risk management and the subsequent increase in interest rates to compensate for the increased perceived risk. However, the study does not measure the differential impact of bank type on modifying the relationship between credit risk and profitability.

This study aims to provide recent empirical evidence on the impact of the credit risk on the profitability of IBs and CBs operating Palestine. More importantly, the study investigates the moderating effect of the Covid-19 pandemic on credit risk. Additionally, the study aims to use a large sample size with a more recent dataset. The results of this paper have significant implications

for academics and practitioners. The results fill the gap in the literature by comparing the impact of credit risk on the profitability of both IBs and CBs, adding to the body of knowledge in this area. The study also aims to provide practitioners with guidelines on whether this risk constitutes a significant threat that requires resources to be actively devoted to its management. Furthermore, the study highlights the effect Covid-19 has on the profitability of both IBs and CBs.

This paper is organized as follows: The next section provides a review of the relevant literature. The subsequent section is the methodology section. Following that is the analysis and results section, and finally, there is the conclusion and policy implications

2. Literature Review

[10] find that Islamic banks exhibit different credit risk behavior compared to that of conventional banks. Using Merton's distance-to-default (DD) model, they find Islamic banks have lower credit risk than conventional banks. However, when using the Z-score and NPL ratio, Islamic banks portray much higher credit risk than conventional bank. [11] find that Islamic banks have lower credit risk than conventional banks. However, the evidence regarding the impact of credit risk on profitability is contradictory. [7] finds that credit risk, as measured by non-performing loans to loan advanced (NPL/LA) ratio and loan advanced to total deposit (LA/TD) ratio, as well as loan loss provision to classified loans (LLP/CL), has a significant negative impact on the financial performance of banks as measured by ROA. additionally, [12] find a negative relationship between liquidity and profitability, and a negative relationship exists between profitability and credit risk. [8] use capital adequacy ratio (CAR) and non-performing loan ratio as proxies of credit risk. The results indicate a negative relationship between credit risk and ROA and ROE. Finally, [4] uses non-performing loans ratio, capital adequacy ratio, impaired loan reserve, and loan impairment charges as credit risk measures. He finds that the non-performing loan ratio has a significant negative relationship with the ROA, while capital adequacy ratio has a positive and significant relationship with the ROA. Impaired loan reserve also has a significant negative impact on the ROA. [13] examine the effect of credit risk and capital adequacy on the profitability of rural banks in the Philippines. The results indicate that the capital adequacy ratio, measured as total shareholders' equity over the total assets, has no significant impact on profitability. In contrast, credit risk, measured as loan loss reserve over total loan, has a negative

and statistically significant relationship with profitability. On the Other hand, [14] find a positive relationship between non-performing loans and rural banks' profitability (ROA and ROE). The result show that credit risk has a significant positive relationship with both profitability measures. [15] find an inverse relationship between the non-performing loan (NPL) ratio and profitability (ROA). On the other hand, the study finds a positive relationship between loan provision to non-performing loan (LP/NPL) ratio and ROA.

2.1 Hypothesis Development

Based on the above evidence provided above, the following hypotheses have been developed:

H1: Credit risk has a statistically significant impact on the performance of both types of banks, IBs and CBs.

H2: There is a significant difference in the impact of credit risk on the performance of IBs versus CBs.

H3: The Covid-19 has a statistically significant impact on the performance of banks.

3. Methodology

3.1 Population and Sample

The study population includes 14 banks (11 CBs and three IBs). The sample includes 13 banks (11 CBs and two IBs). The excluded banks do not have a complete dataset for the entire sample period from 2011 to 2020. Appendix 1 exhibits the sample of the study. The data used include secondary data that has been collected from the Palestinian Monetary Authority (PMA), the annual financial reports of individual banks, and those available from the Association of Palestinian Banks. Additionally, the data on macroeconomic variables have been obtained from the World Bank Data Bank.

3.2 Variables of the Study

The variables of the study are classified into three categories: Dependent variables (DV), Independent variables (IDVs), and control variables (CVs). Two measures of profitability have been used, namely: ROA and ROE. Two sets of control variables are introduced: Macroeconomic variables (Real GDP growth rate and Inflation) and micro-control variables (Age and Size). Table 1 exhibits the study's variables. Additionally, to account for the incremental impact of IBs' credit risk over that of CBs, a dummy variable has been introduced. The dichotomous variable takes the value of 1 for IBs and zero for CBs. The mediating impact of Covid-19 have been modeled through a control dummy variable that takes the value of one in the year 2020 and 0 in other years.

Table 1: Variables of the Study

Variables	Symbol	Equation	Reference
A. Dependent Variables			
Return on Asset	ROA	Net income/ Avg. Assets	[15], [3], [16].
Return on Equity	ROE	Net income/ avg. Equity	[6], [3],[17]
B. Independent Variables			
non-performing loan Ratio	NPLR	Non-performing loan/total loan	[15], [18], [16]
Loan provision to gross loan	LPGL	LLP/Gross loans	[18],[16]
capital adequacy ratio	CAR	Total capital/risk-weighted assets	[14], [3], [13]
C. Control Variables			
Covid 19	2020DUM	$\begin{cases} 0: \text{Years other than 2020} \\ 1: \text{Year 2020} \end{cases}$	
C.1 Micro			
Liquidity	LQR	Liquid Asset/Total Deposits	[19-23]
Bank Size	BS	Natural logarithm of total assets	[24][26][26][25],[19], [2]
Bank Orientation	DUM	$\begin{cases} 0: \text{if CB} \\ 1: \text{if IB} \end{cases}$	[19, 25, 26][21, 27, 28] [20] [18, 24, 25],[17, 23, 24],[16,23] [15, 21, 22][14, 20]
C.2 Macro			
Real GDP Growth	RGDPG	LN (RGDP _t /RGDP _{t-1})	[27][29][28],[26],[25],[24],[23], [22], [2]
Inflation	INF	LN (CPI _t /CPI _{t-1})-1	[2]

3.3 Econometrics Model

The specification of the econometric model to be estimated is as follows:

$$PER_{it} = \beta_0 + \beta_{1it}CNPLR_{it} + \beta_{2it}CAR_{it} + \beta_{3it}LQR_{it} + \beta_{4it}BS_{it} + \beta_5 2020DUM_{it} + \beta_{6it}GDPG_{it} + \beta_{7it}INF_{it} + \beta_{8it}CNPL * DUM_{it} + \beta_{9it}CR * DUM + \beta_{10it}Age_{it} + \beta_{11it}BS_{it} * DUM + \beta_{12}CNPLR_{it} * 2020DUM_{it} + \beta_{13}LPGL_{it} * 2020DUM_{it} + \beta_{13}CAR_{it} * 2020DUM_{it} + \varepsilon_{it}$$

PER_{it} : performance measure. Two models are estimated as two accounting-based performance measures that have been used, return on assets (ROA) and return on equity (ROE).

4. Analysis & Results

4.1 Summary Statistics

The summary descriptive statistics of the analysis variables are presented in Table 2 and Table 3. While the operating performance of the two types of banks, as measured by the ROA, is similar (0.01), their return to shareholders (ROE) differs between the two types of banks. The average ROE for CBs is 6%, while for IBs, it is 9%, indicating that IBs have higher profitability than CBs during the sample period. On the other hand, the non-performing loan (NPL) ratio is higher for CBs than IBs (0.01 versus 0.00). Additionally, the average loan loss provision to total loan (LP/GL) is higher for CBs than for IBs (0.02 versus 0.01). This result suggests that CBs are more conservative in their provisioning policy than IBs.

Table 2: Descriptive Statistics of CBs

	ROA	ROE	NPLR	LPGL	CAR	BS	GDPG	INF
Mean	0.01	0.06	0.01	0.02	0.24	20.40	0.06	0.01
Median	0.01	0.02	0.00	0.02	0.19	20.22	0.05	0.02
Maximum	0.03	0.42	0.02	0.03	1.07	22.38	0.14	0.03
Minimum	0.00	-0.03	0.00	0.00	0.11	18.75	0.00	0.00
Std. Dev.	0.01	0.08	0.01	0.01	0.16	0.93	0.05	0.01
Skewness	0.68	1.54	1.09	-0.80	2.70	0.47	0.22	-0.10
Kurtosis	4.87	6.17	3.33	3.66	12.14	2.36	2.01	1.76
Jarque-Bera	20.05	73.45	18.14	11.28	422.14	4.85	4.41	5.94
Probability	0.00	0.00	0.00	0.00	0.00	0.09	0.11	0.05
Sum	0.94	5.43	0.56	1.44	21.87	1,836.35	5.71	1.19

Sum Sq. Dev.	0.00	0.56	0.00	0.00	2.24	77.10	0.18	0.01
Observations	90	90	90	90	90	90	90	90

The average bank size of CBs is relatively higher than that of IBs. In terms of distributional characteristics, the tables show that, except for

bank size and the macroeconomic variables, the remaining variables have non-normal distribution.

Table 3: Descriptive Statistics of IBs

	ROA	ROE	NPLR	LPGL	CAR	BS	GDPG	INF
Mean	0.01	0.09	0.00	0.01	0.17	20.33	0.06	0.01
Median	0.01	0.08	0.00	0.02	0.15	20.31	0.05	0.02
Maximum	0.02	0.14	0.01	0.02	0.30	21.00	0.14	0.03
Minimum	0.00	0.01	0.00	0.00	0.12	19.52	0.00	0.00
Std. Dev.	0.00	0.04	0.00	0.00	0.06	0.45	0.05	0.01
Skewness	-0.25	-0.34	1.11	-1.55	1.15	-0.11	0.22	-0.10
Kurtosis	2.02	2.31	3.01	5.20	3.09	1.83	2.01	1.76
Jarque-Bera	0.90	0.71	3.73	10.88	4.00	1.07	0.88	1.19
Probability	0.64	0.70	0.16	0.00	0.14	0.59	0.64	0.55
Sum	0.17	1.56	0.04	0.25	3.13	365.96	1.14	0.24
Sum Sq. Dev.	0.00	0.03	0.00	0.00	0.06	3.49	0.04	0.00
Observations	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

4.2 Correlation Matrix

The correlation matrix is presented in Table 4. Pairwise correlation coefficients between the

study variables are less than 0.80, which implies the absence of possible multicollinearity between the variables.

Table 4: Correlation Matrix

	ROA	ROE	NPLR	LPGL	CAR	BS	GDPG	INF
ROA	100%	65%	-14%	14%	7%	32%	12%	13%
ROE	65%	100%	-13%	-5%	-38%	62%	4%	4%
NPLR	-14%	-13%	100%	-8%	30%	-24%	11%	21%
LPGL	14%	-5%	-8%	100%	17%	-31%	38%	36%
CAR	7%	-38%	30%	17%	100%	-70%	17%	20%
BS	32%	62%	-24%	-31%	-70%	100%	-20%	-25%
GDPG	12%	4%	11%	38%	17%	-20%	100%	47%
INF	13%	4%	21%	36%	20%	-25%	47%	100%
DUM	-6%	13%	-26%	-13%	-17%	-3%	0%	0%

4.3 Model Estimation Results

Two models have been estimated using the balanced panel regression analysis by stata17. The results are as follows:

Table 5. These results are estimated using the feasible generalized least squares (FGLS) that

4.3.1 ROA Model

The estimated results of the ROA model are shown in

correct for heteroscedasticity and serial correlation.

Table 5: Estimation Results-ROA Model

ROA	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]		Sig
NPLR	-0.139	0.08	-1.73	0.084	-0.296	0.019	*
LPGL	0.190	0.074	2.57	0.01	0.045	0.335	**
CAR	0.022	0.004	5.47	0	0.014	0.03	***
LATD	-0.001	0.004	-0.14	0.885	-0.008	0.007	
BS	0.005	0.001	7.55	0	0.003	0.006	***
GDPG	0.003	0.01	0.35	0.727	-0.015	0.022	
INF	0.079	0.04	1.98	0.048	0.001	0.157	**
DUM* NPLR	1.215	0.418	2.91	0.004	0.396	2.035	***
DUM* LPGL	0.338	0.276	1.23	0.22	-0.203	0.878	
DUM* CAR	-0.042	0.02	-2.08	0.038	-0.083	-0.002	**

DUM* LATD	0.000	0.012	-0.01	0.992	-0.024	0.024	
DUM* BS	0.000	.	.	.	.	.	
2020DUM*NPLR	0.200	0.257	0.78	0.435	-0.302	0.703	
2020DUM*LPGL	0.077	0.273	0.28	0.778	-0.458	0.612	
2020DUM*CAR	-0.0199	0.017	-1.20	0.231	-0.052	0.013	
Constant	-0.094	0.014	-6.83	0	-0.121	-0.067	***
Mean dependent var	0.01		SD dependent var		0.005		
Number of obs	108		Chi-square		85.656		
Prob > chi2	0.766		Akaike crit. (AIC)		-876.539		

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 5 shows that the non-performing loan (NPL) ratio has a negative (-1.39) but statistically insignificant impact on the ROA at the 5% significance level. This result aligns with that of [18, 28, 29] and indicates the size of the NPLs at the Palestinian CBs is not significant enough to affect their ROA. In other words, CBs employ prudent lending policies and practices that minimize the impact of non-performing loans on their profitability. As a result, the effect of credit risk on IBs' profitability is (1.076), which is statistically significant at a 1% level of significance. While the NPLR shows a negative impact, LPGL exhibits a positive (0.190) and statistically significant impact on the ROA. This result indicates that the higher the provision, the higher the operating profitability of CBs. IBs have a high and positive impact of the LPGL on their ROA (0.528), but this effect is statistically insignificant. Capital Adequacy (CAR) has a positive (0.022) and significant impact on the ROA of the CBs. This result indicates that increasing the equity-to- capital ratio (CAR) positively impacts the ROA. This highlights that decreasing the financial leverage would increase the ROE and pinpoints the possible improvement in the operating performance due to reduced leverage. Concerning IBs, the incremental effect of their capital adequacy is insignificant, signifying that there is no statistical difference between IBs and CBs in the impact of CAR on their respective profitability. The results indicate that liquidity, as measured by LATD, has a negative (-0.001) and insignificant impact on the ROA at a 5% significance level. This result suggests that the higher the liquidity, the lower the profitability. This result is in agreement with that of [12]. The liquidity of IBs has no statistically significant incremental impact over that of CBs. The bank size has a positive (0.005) and statistically significant impact on the ROA. This result indicates that larger CBs have higher ROA. However, Table 5 shows no statistical difference between IBs and CBs concerning the size variable. The growth rate in real GDP, which

reflects the business cycle swings, has a positive (0.003) impact on the ROA.

The above results contradict that in [7,12,8,4,13,15], where they find negative relationships between the credit risk variables and profitability of banks. The differences in the risk management policies, lending practices, regulatory and accounting standards and loan portfolio diversification can explain the different results.

4.3.2 ROE Model

The results of the estimated model using the return on equity (ROE) as the dependent variable is presented in Table 6. The results are estimated using the feasible generalized least squares (FGLS) that correct for heteroscedasticity and serial correlation.

The results show that the non-performing loan ratio (NPLR) has a negative (-1.22) but statistically insignificant impact on the ROE. This result indicates that the size of the NPLR at CBs is not material to affect their ROE. This result confirms that of [18, 28, 29]. This result can be interpreted on the ground that the provisioning policies of CBs are aggressive as the actual NPLs have been accounted for their impact. IBs have no statistically significant differential impact of their NPLR on profitability. While the NPLR shows a negative impact, LPGL exhibits a positive (0.904) but statistically insignificant impact on the ROE. This result indicates that the provisioning for the potential adverse effect of credit risk does not affect the profitability of CBs. The LPGL of IBs has a more significant positive incremental impact (3.188), but it is statistically insignificant. Capital Adequacy (CAR) of CBs has a positive (0.007) but insignificant effect on their ROE. This result indicates that increasing the equity to capital ratio (CAR) positively impacts the ROE. However, CAR of IBs shows a negative impact on their ROE but is statistically insignificant.

Table 6: Estimation Results- ROE Model

ROE	Coef.	St.Err.	t-value	p-value	Interval]	Sig
NPLR	-1.221	1.094	-1.12	0.265	0.924	
LPGL	0.904	1.008	0.9	0.37	2.881	
CAR	0.007	0.054	0.12	0.901	0.113	
LATD	0.169	0.052	3.28	0.001	0.27	***
BS	0.072	0.008	8.53	0	0.089	***
GDPG	0.091	0.13	0.7	0.485	0.346	
INF	0.906	0.542	1.67	0.094	1.968	*
DUM* NPLR	9.841	5.692	1.73	0.084	20.997	*
DUM* LPGL	3.188	3.751	0.85	0.395	10.54	
DUM* CAR	-0.188	0.278	-0.68	0.499	0.357	
DUM* LATD	-0.174	0.167	-1.04	0.296	0.153	
DUM* BS	0.004	0.003	1.45	0.146	0.01	
2020DUM*NPLR	0.26	0.334	1.014	0.566	0.914	
2020DUM*LPGL	0.1	0.355	0.364	1.011	0.796	
2020DUM*CAR	-0.026	0.022	-1.56	0.3	0.017	
Constant	-1.534	0.188	-8.17	0	-1.166	***
Mean dependent var	0.065		SD dependent var	0.074		
Number of obs	108		Chi-square	129.17		
Prob > chi2	0.014		Akaike crit. (AIC)	-312.623		

*** $p < .01$, ** $p < .05$, * $p < .1$

Moreover, the liquidity of the CBs measured by LATD shows a positive (0.169) and significant impact on the ROE. This result indicates that the higher the liquidity, the higher the profitability. This result contradicts that of [12]. On the other hand, the impact of liquidity of IBs' profitability is negative (-0.175) but statistically insignificant. Finally, the bank size has a positive (0.072) and statistically significant impact on the ROE of CBs. This result indicates that larger banks have a higher return to their shareholders. However, Table 6 shows no statistical difference between IBs and CBs concerning the size variable. The growth rate in real GDP has a positive (0.091) but statistically insignificant impact on the ROE. The change in the purchasing power has a positive (0.906) but statistically insignificant impact on the ROE. Table 6 shows that the interactive effect of the Covid-19 pandemic with the credit risk variables (NPLR, LPGL, and CAR) has a statistically insignificant impact on banks' profitability (ROE).

5. Conclusions and Recommendations

This study deals with one of the most essential and most significant risks banks face. While credit risk significantly affects the return on Assets (ROA), it has no significant impact on the Return on Equity (ROE). The results indicate that Conventional Banks (CBs) in Palestine have robust risk management practices in place compared with Islamic Banks (IBs). Additionally, the differences in the loan (financing) portfolio composition between the two business models play a significant role in their credit risk. While CBs have a more diversified

loan portfolio, IBs have a concentrated loan portfolio that employs Mudarabah as a main investment paradigm. Furthermore, the positive impact of the LPGL indicates prudent lending practices by both CBs and IBs that minimize the occurrence of non-performing loans. The differences in their risk appetite and business models are evident in the response of their profitability to CAR. Additionally, the Covid-19 pandemic has an insignificant impact on the profitability of both types of banks as it has no moderating impact on the relationship between credit risk and profitability.

Banks, both CBs and IBs, should continue to maintain and strengthen their prudent lending policies and risk management practices to minimize the impact of non-performing loans on profitability. Robust credit risk assessment and proactive measures to manage and mitigate credit risk are essential. Banks should consider maintaining an adequate level of provision for loan losses, as it positively influences profitability. As well, CBs should focus on maintaining a strong capital adequacy position as it has a positive impact on profitability. Reducing financial leverage can lead to improved operating performance. While the impact of capital adequacy on IBs was not significant, they should still maintain a healthy capital base to ensure stability. Larger banks tend to have higher profitability. Smaller banks should explore strategies to achieve economies of scale and enhance their competitive position in the market. Although the study found no significant interactive effect between the Covid-19 pandemic and credit risk on profitability, banks

should remain vigilant and prepared to address potential challenges arising from external shocks like pandemics.

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تأثير كوفيد-19 على مخاطر الائتمان وربحية البنوك: أدلة من البنوك الإسلامية والتقليدية في فلسطين

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الملخص:

تمثل مخاطر الائتمان واحدة من أهم المخاطر التي تواجهها البنوك، ونقوم هذه الدراسة بتقييم تأثير مخاطر الائتمان على ربحية البنوك الإسلامية، والبنوك التقليدية العاملة في فلسطين. بالإضافة إلى ذلك، فإن هذه الدراسة تهدف إلى تحديد ما إذا كان هناك تباين ملحوظ في تأثير مخاطر الائتمان على ربحية البنوك الإسلامية والتقليدية، كما تبحث في التأثير التفاعلي لجائحة كوفيد-19 على عوامل المخاطر الائتمانية؛ للتأكد مما إذا كانت الجائحة قد أثرت على ربحية كلا النوعين من البنوك. ويعتمد التحليل على بيانات من (13) بنكاً تعمل في فلسطين، منها (11) بنكاً تقليدياً، وبنكين إسلاميين، ويمتد التحليل للفترة من (2011)، إلى (2020). وقد تم جمع البيانات الثانوية من سلطة النقد الفلسطينية، والتقارير المالية السنوية للبنوك الفردية، والمعلومات المتوفرة لدى جمعية البنوك الفلسطينية. علاوة على ذلك، تم الحصول على بيانات الاقتصاد الكلي من بنك بيانات البنك الدولي. وتم تقييم ربحية البنوك باستخدام مؤشرين رئيسيين: العائد على الأصول (ROA) والعائد على حقوق الملكية (ROE). كما تم قياس متغيرات مخاطر الائتمان من خلال نسبة القروض المتعثرة، ومخصصات القروض إلى إجمالي القروض، ونسبة كفاية رأس المال. وباستخدام تحليل الانحدار، تكشف الدراسة أن مخاطر الائتمان تؤثر بشكل كبير على ربحية البنوك الإسلامية والتقليدية. ومع ذلك، فإن هذا التأثير يختلف باختلاف مقياس الربحية المستخدم. في حين أن مخاطر الائتمان تؤثر بشكل ملحوظ على العائد على الأصول، إلا أنها لا تؤثر بشكل كبير على العائد على حقوق المساهمين. علاوة على ذلك، توصلت الدراسة إلى أن تأثير مخاطر الائتمان على ربحية البنوك الإسلامية، يختلف عن تأثير البنوك التقليدية. علاوة على ذلك، توصلت الدراسة إلى أن ارتفاع مخاطر الائتمان خلال جائحة كوفيد-19 لم يكن له تأثير كبير على ربحية كلا النوعين من البنوك.

الكلمات المفتاحية: كوفيد-19، مخاطر الائتمان، الربحية، البنوك الإسلامية، البنوك التقليدية، فلسطين، التحليل الزمني المقطعي.