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RESEARCH ARTICLE

THE IMPACT OF BANKS CHARACTERISTICS ON FINANCIAL PERFORMANCE OF ISLAMIC BANKS: EVIDENCE FROM SYRIA.

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Abstract

The aim of this study is to determine the effect of bank characteristics on the financial performance of Islamic banks in Syria for the period (2009_2015). The financial performance (Dependent variable) is measured by return on assets (ROA), and return on equity (ROE). On the other hand, the independent variables are capital adequacy, liquidity, deposits, efficiency, bank size and Syrian crisis. The study used the methods of Panel Data through estimating fixed effects model.

The empirical analysis shows that bank size has a positive and significant impact on ROA and ROE. While efficiency has a negative and significant impact on ROA and ROE. Also, capital adequacy and liquidity have a significant impact on ROA at 10% significance level ,but have no significant impact on ROE. However, the variables (deposits and crisis) have no significant impact on ROA and ROE.

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Introduction:-

The financial sector plays an important role in the economy of a country. Banks are considered as one of the important financial institutions. Banking sector plays an important role in the economic development of a country by receiving deposits and financing investment.

Investors, customers, managers, regulators one thing is important for all parties and that is performance evaluation of banks. It is important that performance is persistently monitored because sometime the current problems stay unnoticed and otherwise can lead to bankruptcy in future (latif, 2016).

Banking performance is an essential part of banking safety as it is guaranteed the going concern principle in the industry (Mongid, 2016). Assessing the health of an economy can be accomplished by studying the financial performance of its banks (Adam, 2014). Good financial performance rewards the shareholders for their investment. This encourages additional investment and brings about economic growth. On the other hand, poor banking performance can lead to banking failure and crisis which have negative results on the economic growth (Ongore and Kusa, 2013).

For banking performance, financial performance is one of the important indicators that measures. It will stay as the only measure for banks success. The utilization of financial performance has become more popular in today's business organizations than before, and adoption by organizations has increased on it over the years (Samhan and AL-Khatib, 2015).

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The primary method of evaluating financial performance is by analysing accounting data. Financial ratios usually provide a broader understanding of the bank's financial condition since they are constructed from accounting data contained on the bank's balance sheet and financial statement (Mongid, 2016).

The performance of banks can be affected by bank specific and macroeconomic factors (Al-Tamimi, 2010; Aburime, 2008). Bank specific factors are individual bank characteristics which affect the bank's performance. These factors are basically influenced by the internal decisions of management and board. On the other hand, macroeconomic variables are country wide factors which are beyond the control of the bank and affect the profitability of banks (Samhan and AL-Khatib, 2015 ; Ongore and Kusa, 2013).

Islamic bank is a financial and social institution whose aims, principles as well as practices must comply with the Islamic Shariah rules and which must avoid the interest in any of its practices (Saleh and Zeitun, 2006). Islamic banking system is fifty years old and it is a part of banking system. It witnessed a main great growth. In the first decade of the new century Islamic banking was considered as one of the greatest developing financial sector in the world (AL-Qudah and Jaradat, 2013).

During the last two decades, the Syrian banking sector has experienced a worldwide major transformation in its operating environment. Thus, a great importance has been accorded to the reform of laws, decisions, and other legislations regulating the banking and financial activities. One of which the most important is reinforcement of the banking and the financial sector. The banking sector represents the backbone of the Syrian economy and plays an important financial intermediary role (Al-Jafari & Alchami, 2014). There are two types of banks in Syrian banking sector, Islamic and conventional banks.

In Syria conventional banking has huge history but Islamic banking began around one decade prior, with a goal of interest free banking operations. Of these banks, Islamic banks are in growing position with conventional banks. It is worth mentioning that Sham Islamic Bank was established in 2007 as the first Islamic bank in Syria, followed by the Islamic International Syria Bank in 2007, and Al baraka Bank Syria in 1/6/2010.

The term that called "Arab Spring" is used to express the political crisis, war and armed conflict in some countries in the Middle East such as Syria which is considered, according to the Global Peace Index (GPI) Report which was published by Institute for Economics and Peace in 2014, as the most dangerous country in the world (Sahyouni and Wang, 2015). The Syrian crisis as a part of "Arab spring" started in 2011 and still continues affected its economic indicators.

So, this paper endeavors to determine the internal factors that impact the performance of Islamic banks listed in Syria for the period of 2009-2015. A few researches has been conducted in Syria to examine the determinants of Islamic banks performance by using different accounting measures i.e. return on assets (ROA) and return on equity (ROE).

In this study, the researchers posit that evaluating a bank's financial performance using analysis tools will lead to rationalization of administrative decisions in investments field.

This study has shown that bank specific affect the performance of Islamic banks. It focused on sector – specific factors that affect the performance of banks. Moreover, this study examined whether the Political crisis has impact on financial performance of Islamic banks in Syria.

This study tests the impact of the bank specific factors and Syrian crisis on financial performance of Islamic banks in Syria during the period 2009- 2015.

Literature Review:-

Many researchers investigated factors affecting financial performance of banks.

In literature we found many studies that determined impact on banks performance by internal and external factors in the context of different countries. These studies measured the financial performance of banks by using profitability indicators i.e. (ROA and ROE). In this section some literature is reviewed regarding the determinants of banks performance. The internal factors are bank specific variables which differ from bank to bank. These factors include capital size, size of deposit liabilities, size and composition of credit portfolio, interest rate policy, labor

productivity, and state of information technology, risk level, management quality, bank size, ownership and the like. (Ongore and Kusa, 2013)

Bashir (2003) investigated the determinants of profitability for 14 Islamic Banks in 8 countries in the Middle East during 1993- 1998. He found that total equity to total assets, loans to total assets and overhead ratios have a positive effect on profitability measured by (ROA), (ROE) and Before Tax Profit (BTF).

Haron (2004) investigated the factors that effect Islamic banks profitability. He found a positive relationship between liquidity and profitability ratios. Almost all deposit structure has no significant relationship with the profitability ratios. Capital structure has a significant relationship with most profitability measure variables. While, size of bank has no significant with most profitability measure variables.

Izhar and Asutaya (2007) investigated the internal and external determinants of the performance of Bank Muamalat Indonesia (BMI) in terms of its ROA during 1996-2001. They found that incomes from financing activities, interest-free earning assets and inflation have a positive and significant impact on (ROA). While, total financing to total assets, total liabilities to total assets have a negative and significant impact on (ROA). However, deposits, incomes from service activities, total equity to total assets and overhead cost to total assets have no significant impact on profitability measure.

Alper and Anbar (2011) examined the bank-specific and macroeconomic determinants of the banks profitability in Turkey, measured by ROA and ROE, over the time period 2002 - 2010. They found that asset size has a positive and significant impact on bank profitability. Non-interest income has a positive and significant impact on ROA, while asset quality has a negative and significant impact on ROA. However, only the real interest rate as a macroeconomic variable has a positive and significant impact on bank profitability measured by ROE.

Idris et al. (2011) examined the determinants of profitability for Islamic Banking Institutions in Malaysia, over the period 2007- 2009, using quarterly data from nine Islamic banks by Generalized Least Square (GLS) panel data analysis. They found that only the bank size has a significant effect on the profitability of Malaysian Islamic banks with positive relationship.

Mirzaei and Mirzaei (2011) investigated the internal and external determinants of bank profitability, measured by ROAA, in the Middle Eastern banking markets of 12 countries, over the period 1999- 2008 using both the OLS and the GMM techniques. They found that efficiency, liquidity, credit risk and domestic credit to private sector factors have a significant and negative impact on profitability. While, capital adequacy and overheads factors have a significant and positive impact on profitability.

Al-Qudah and Jaradat (2013) examined the effect of macroeconomic variables (external variables) and bank characteristic (internal variables) on the profitability of Jordanian Islamic banks for the period (2000–2011) by used panel data analysis fixed effects model and the generalized least square method. They found that capital adequacy, bank size, Amman stock exchange index, and construction licensed square meters have a positive and significant impact on (ROA) and (ROE). While leverage has a negative and significant impact on (ROA) and (ROE). However, liquidity has a negative insignificant impact on (ROA) and a negative significant impact on (ROE). Money supply growth has a positive significant impact on (ROA) and a positive insignificant impact on (ROE).

Ameur and Mhiri (2013) investigated the main explanatory factors that affect the banks performance in Tunisia, measured by return on assets (ROA), return on equity (ROE), net interest margin (NIM), over the period 1998-2011. They found that operational efficiency has a negative and significant impact on the bank performance. While, bank size has a negative and significant impact on ROA and NIM. Also, capital adequacy and ownership have a positive and significant impact on ROA and NIM. Moreover, non- performing loans has a positive and significant impact on ROA. But growth deposit has no significant impact on the bank performance. The results also showed that concentration has a negative and significant impact on ROA and NIM. While, size bank system has a negative and significant impact on ROA and ROE. As for the impact of the macroeconomic indicators, they found that GDP growth has a negative and significant impact on ROE and NIM. While, inflation has a negative and significant impact on NIM.

Ongore and Kusa (2013) investigated the determinants of financial performance of 37 commercial banks in Kenya, over the period 2000- 2010. They found that capital adequacy, asset quality, management efficiency and inflation factors have significant effects on financial performance. While, liquidity has no significant effect on financial performance. However, The moderating role of ownership identity on the financial performance of commercial banks in Kenya is insignificant.

Al-Jafari and Alchami (2014) investigated the determinants of bank profitability of 17 banks in Syria over the period 2004- 2011 using the Generalized Method of Moments (GMM) technique on unbalanced panel data. They found that real gross domestic product growth rate and credit risk have a negative and significant effect on ROAA and ROAE. Also, ROAA is affected negatively by liquidity and positively by bank size and operating efficiency. On the other hand, ROAE is affected positively by inflation. While, concentration ratio and capital size have no significant effect on ROAA and ROAE.

Sahyouni and Wang (2015) examined the impact of political crisis and bank internal factors on financial performance of 61 banks in Bahrain, Egypt, Syria and Yemen over the period 2004 – 2014 using financial ratio analysis technique. They found that asset management, bank size, capital adequacy and operating efficiency have a positive and significant impact on ROAA. On the other hand, asset quality, credit risk, overheads and political crisis have a negative and significant impact on ROAA. While, deposits, liquidity, cost to income ratio, capital ratio and management quality have no significant impact on ROAA.

Samhan and AL-Khatib (2015) examined the determinants of financial performance of Jordan Islamic Bank (JIB) over the period 2000-2012. Firstly, They found that there is a positive and significant relationship between ROA and (Inflation, equity ratio, and bank size). While there is a negative and significant relationship between ROA and (unemployment rate and debt ratio). Secondly, there is a positive and significant relationship between ROE and (Inflation and bank size). While there is a negative and significant relationship between ROE and unemployment rate. Finally, there is a positive and significant relationship between ROUIA and Gross Domestic Product. While, there is a negative and significant relationship between ROUIA and unemployment rate.

Aslam et al. (2016) investigated the determinants of profitability of Islamic banks in Pakistan over the period of 2007 - 2014. They found that size, deposits, financing, market share, economic growth and inflation are the factors that are insignificantly affect over ROA and ROE. Size, financing and market share positively impact over ROA and ROE whereas deposits, economic growth and inflation negatively impact over ROA and ROE.

Mongid (2016) investigated the determinant of profitability of 117 Islamic banks from the MENA region for periods of 2003 to 2011 and how Global Financial Crisis (GFC) impacted on their performance by used a balanced and dynamic panel data regression model. He found that the profitability, measured by return on asset (ROA), is determined positively by asset size, equity to total asset, liquidity risk and negatively by capital adequacy ratio, innovation and global financial crisis. However, asset quality and efficiency have no significant impact on banking profitability.

This study will use Return on Assets (ROA) and Return on Equity (ROE) as indicators of financial performance of banks (Dependent Variables), and will use a set of internal factors (Bank Specific Independent Variables) that are included on the basis of literature review. In addition to a dummy variable called “Syrian Crisis” to express the impact of crisis on the financial performance of Islamic banks in Syria.

Independent Variables:-

The bank specific factors (Independent variables) will be:

Capital adequacy is the total equity to total assets (TETA). Bashir (2003) found a positive and insignificant relationship between this ratio and ROA as well as ROE. Haron (2004) found a significant relationship between capital structure (total capital and reserves as a percentage of total assets) and most profitability measures ratios. Izhar and Asutaya (2007) found this ratio has a positive and insignificant impact on ROA. While Alper and Anbarb (2011) found a positive and insignificant relationship between this ratio and ROA as well as ROE. Mirzaei and Mirzaei (2011) found a positive and significant relation between this ratio and ROAA. Also, Al-Qudah and Jaradat (2013) found that this ratio has a positive and significant impact on both (ROA) and (ROE). Ameer and Mhiri (2013) found a positive and significant relationship between this ratio and ROA, but a negative and insignificant between this ratio and ROE. Ongore and Kusa (2013) found total capital to total asset ratio has a positive and

significant relationship with ROA, while has a negative and significant relationship with ROE. Al-Jafari and Alchami (2014) found this ratio has a positive and insignificant relationship with ROAA as well as ROAE. Sahyouni (2015) found this ratio has a positive and significant impact on ROAA. Samhan and AL-Khatib (2015) found a positive and significant relationship between this ratio and ROA, while a positive and insignificant relationship between this ratio and ROE. Mongid (2016) found that this ratio has a positive and significant impact on ROA. In the Islamic bank context, the nature of assets is investment assets involve the risk. So, we will use total equity to total investment assets (TETA).

Liquidity is measured by total loans to total deposits (TFTD): (In the Islamic bank context, this ratio is well known also as Financing Deposit Ratio (FDR) Ika and Abdullah (2011). Haron (2004) used the total financing to total deposits ratio as a proxy for liquidity, he found a positive relationship between profitability ratios and liquidity. Mirzaei and Mirzaei (2011) found a negative and significant relation between the net loans to deposits and short term funds ratio and ROA as well as ROE. Al-Qudah and Jaradat (2013) found that this ratio has a negative insignificant impact on (ROA) and a negative significant impact on (ROE). Ongore and Kusa (2013) found the total loans to total customer deposit ratio has a positive insignificant impact on ROA and ROE.

Deposits measured by total deposits to total assets (TDTA). Haron (2004) used three variables, (i.e. current, savings and investment accounts as a percentage of total assets), he found that almost all deposit structure variables has no significant relationship with the profitability ratios. Izhah and Asutaya (2007) found that this ratio has a positive and insignificant impact on (ROA). Alper and Anbarb (2011) found this ratio has a negative and insignificant impact on ROA as well as ROE. Al-Qudah and Jaradat (2013) found that this ratio has a negative and significant impact on (ROA) and (ROE). Sahyouni (2015) found a positive and insignificant relationship between this ratio and ROAA. While, Aslam et al. (2016) found this ratio has a negative and insignificant impact on ROA as well as ROE.

Efficiency is measured by operating expenses to operating income (OEOI). Mirzaei and Mirzaei (2011) found a negative and significant relationship between cost to income ratio and ROAA. Ameer and Mhiri (2013) found a negative and significant relationship between cost-income ratio (measured by total operating expenses over total generated revenues) and ROA as well as ROE. Sahyouni (2015) found the total cost to net income ratio has a negative and insignificant impact on ROAA.

Bank size is measured by the logarithmic of the total assets (LTA). Haron (2004) found that size of bank has no significant with most profitability measure variables. Alper and Anbarb (2011) found asset size has a positive and significant impact on ROA as well as ROE. Also, Idris et al. (2011) found bank size has a positive and significant effect on ROA as well as ROE. Mirzaei and Mirzaei (2011) found a negative and insignificant relationship between bank size and ROAA. Al-Qudah and Jaradat (2013) found LTA has a positive and significant impact on both return on assets (ROA) and return on equity (ROE). Ameer and Mhiri (2013) found that bank size has a negative and significant impact on ROA, while has a positive and insignificant impact on ROE. Al-Jafari and Alchami (2014) found bank size has a positive and significant effect on ROAA, but has a positive and insignificant effect on ROAE. Sahyouni (2015) found bank size has a positive and significant effect on ROAA. Samhan and AL-Khatib (2015) found a positive and significant relationship between bank size and ROA as well as ROE. Aslam et al. (2016) found bank size has a positive and insignificant impact on ROA as well as ROE. Mongid (2016) found that bank size has a positive and significant impact on ROA.

Dummy Syrian Crisis (SC) is measured by 0 (Before crisis), 1 (During crisis). Sahyouni (2015) found a political crisis in the Middle East has a negative and significant effect on bank performance indicator (ROAA). Mongid (2016) found that global financial crisis has a negative and significant impact on banking profitability (ROA).

Dependent Variables:-

According to many previous studies return on assets: ROA (which is net income to total assets), and return on equity: ROE (which is net income to total equity) were proxies for the financial performance (Al-Qudah and Jaradat, 2013; Ongore and Kusa, 2013; Samhan and AL-Khatib, 2015).

Depending on the literature review and economic theory the present study examines the following alternative hypotheses:

H1: There is a statistically significant impact of capital adequacy on financial performance of Syrian Islamic Banks.

H2: There is a statistically significant impact of liquidity on financial performance of Syrian Islamic Banks.

- H3: There is a statistically significant impact of deposits on financial performance of Syrian Islamic Banks.
 H4: There is a statistically significant impact of efficiency on financial performance of Syrian Islamic Banks.
 H5: There is a statistically significant impact of bank size on financial performance of Syrian Islamic Banks.
 H6: There is a statistically significant impact of Syrian crisis on financial performance of Syrian Islamic Banks.

Model Specification:-

Following 2 models are estimated in this study:

$$ROA_{it} = \alpha_0 + \alpha_1 TETA_{it} + \alpha_2 TFTD_{it} + \alpha_3 TDTA_{it} + \alpha_4 OEIO_{it} + \alpha_5 LTA_{it} + \alpha_6 SC_{it} + \text{eit} \dots \text{Model (1)}$$

$$ROE_{it} = \alpha_0 + \alpha_1 TETA_{it} + \alpha_2 TFTD_{it} + \alpha_3 TDTA_{it} + \alpha_4 OEIO_{it} + \alpha_5 LTA_{it} + \alpha_6 SC_{it} + \text{eit} \dots \text{Model (2)}$$

Results and Discussion:-

Descriptive Statistics Analysis:-

According to table (1) the descriptive statistics of all dependent and independent variables. The mean value of return on assets (ROA) and return on equity (ROE) as proxies of financial performance of Syrian Islamic Banks during (2009 – 2015) is (1.204), (8.546) respectively. The standard deviation for financial performance measures (ROA) and (ROE) is (1.806), (12.718) respectively. The mean and standard deviation for independent variables: Capital adequacy (TETA), Liquidity (TFTD), Deposits (TDTA), Efficiency (OEIO), Bank size (LTA), and Syrian Crisis (SC) is (29.819), (10.597); (74.083), (21.051); (71.249), (9.732); (70.424), (87.19); (10.808), (0.812); (0.704), (0.461) respectively.

Table 1:- Descriptive statistics for variables

	ROA	ROE	TETA	TFTD	TDTA	OEIO	LTA	SC
Mean	1.204	8.546	29.819	74.083	71.249	70.424	10.808	0.704
Median	0.715	5.710	28.633	70.790	73.215	43.235	11.12	1.0000
Maximum	6.050	41.500	53.082	123.13	87.620	412.09	11.784	1.0000
Minimum	-3.320	-20.190	12.555	37.810	42.880	14.310	9.2975	0.0000
Std. Dev.	1.806	12.718	10.597	21.051	9.732	87.19	0.812	0.461
Observations	54	54	54	54	54	54	54	54

Correlation Analysis:-

Based on table 2 correlation matrix shows the correlations between dependent and independent variables and correlations between independent variables itself. The highest correlation between independent variables is (-0.649) which is between (TETA) and (LTA).

Correlation above 0.8 between independent variables indicates the existence of the problem of multicollinearity (Ameur and Mhiri, 2013; Ongore and Kusa, 2013). It is clear from correlation matrix that no need to drop any of them, there is no serious multicollinearity problem. All the correlation coefficients between the independent variables were less than (0.8). The details of correlation matrix are shown in table 2.

Table 2:- Correlation Matrix

	ROA	ROE	TETA	TFTD	TDTA	OEIO	LTA	SC
ROA	1.000							
ROE	0.952	1.000						
TETA	0.093	-0.095	1.000					
TFTD	0.239	0.062	0.298	1.000				
TDTA	-0.366	-0.287	-0.562	-0.351	1.000			
OEIO	-0.654	-0.622	0.181	-0.276	0.232	1.000		
LTA	0.291	0.448	-0.649	-0.542	0.071	-0.417	1.000	
SC	0.479	0.416	0.245	-0.070	-0.501	-0.345	0.424	1.000

Regression Results:-

In this study a panel data regression analysis is performed, panel data is a cross section and time series data. Panel data models are usually estimated using either fixed effects or random effects models (Alper and Anbarb, 2011)

In current study we used only the fixed effects model (FEM), because the condition to use the random effects model is the cross section number must be more the number of parameters and the sample of our study has two cross sections while we have six parameters. Also, this will not affect the results since scholars such as Baltagi (2000) states that the fixed effects model is an appropriate specification if we are studying the behaviour of a specific set of organisations. Otherwise, the random effects model is suitable if we are taking N individuals randomly from large population. In the current study we take all banks that have the same data so it is not randomly sampled. (Al-Qudah and Jaradat, 2013; Alper and Anbarb, 2011; Baltagi, 2000)

The following regression result shows the impact of bank specific factors and Syrian crisis on the performance of Islamic banks, measured by ROA and ROE. The following table 3 presents the output of regression analysis results.

Results of ROA model:-

The F- statistic value of 18.015 and its associated p-value 0.000 show that the model on the whole is statistically significant. This means that there exists a significant linear relationship between the variables; the table shows that R square of this model is about 73%, that is, about 73 percent of the variation in the dependent variable, ROA, is explained by the independent variables.

Results of ROE model:-

The F- statistic value of 15.327 and its associated p-value 0.000 show that the model on the whole is statistically significant. This means that there exists a significant linear relationship between the variables.; the table shows that R square of this model is about 70%, that is, about 70 percent of the variation in the dependent variable, ROE, is explained by the independent variables.

Also, the findings show that:-

The impact of bank characteristics represented by capital adequacy measured by total equity to total investment assets (TETA): The regression results show that the total equity to total investment assets (TETA) has a positive and significant impact on return on assets (ROA) at 10% significance level, but has a positive and insignificant impact on return on equity (ROE). The value of the coefficient for ROA and ROE is (0.0794) and (0.2187) respectively. This finding doesn't consistent with any previous study.

The impact of bank characteristics represented by liquidity measured by total finance to total deposits (TFTD): The regression results show that the total finance to total deposits (TFTD) has a positive and significant impact on return on assets (ROA) at 10% significance level, but has a positive and insignificant impact on return on equity (ROE). The value of the coefficient for ROA and ROE is (0.0245) and (0.0381) respectively. However, (Haron, 2004; Ongore and Kusa, 2013) found a positive impact of TFTD on ROA and ROE. Mirzaei and Mirzaei (2011) found a significant impact of TFTD on ROA.

The impact of bank characteristics represented by Deposits measured by total deposits to total assets (TDTA): The regression results show that the total deposits to total assets (TDTA) has a positive and insignificant impact on return on assets (ROA), but has a negative and insignificant impact return on equity (ROE). The value of the coefficient for ROA and ROE is (0.0131) and (-0.137) respectively. Some studies have found no significant relationship between TDTA with profitability (Haron, 2004). Also, (Izhar, 2007; Sahyouni, 2015) found TDTA has a positive and insignificant impact on ROA. While (Alper and Anbarb, 2011; Aslam et al., 2016) found TDTA has a negative and insignificant impact on ROE.

The impact of bank characteristics represented by Efficiency is measured by operating expenses to operating income (OEOI): The regression results show that the operating expenses to operating income (OEOI) has a negative significant impact on both return on assets (ROA) and return on equity (ROE). The value of the coefficient is (-.0074) and (-.0508) respectively. The same findings were conducted by (Mirzaei and Mirzaei, 2011; Ameer and Mhiri, 2013). A negative impact of OEOI on ROAA (Sahyouni, 2015) was found as well.

The bank financial structure represented by bank size measured by logarithmic of total assets (LTA): The regression results show that the log total assets (LTA) has a positive significant impact on both return on assets (ROA) and return on equity (ROE). The value of the coefficient is (2.406) and (16.121) respectively. The same findings were conducted by (Alper and Anbarb, 2011; Idris et al., 2011; Al-Qudah and Jaradat, 2013; Sahyouni, 2015; Samhan and AL-Khatib, 2015; Mongid, 2016). However, Al-Jafari and Alchami (2014) found a positive significant impact of

LTA on ROAA and a positive insignificant on ROAE. A positive impact of LTA on ROA and ROE (Aslamet al., 2016) was found as well.

The Dummy Syrian Crisis (SC) measured by 0 (Before crisis), 1 (During crisis): The regression results show that the Syrian Crisis (SC) has a negative and insignificant impact on both return on assets (ROA) and return on equity (ROE). The value of the coefficient is (-0.631) and (-6.459) respectively. A negative impact of crisis on ROA (Sahyouni, 2015; Mongid, 2016) was found as well.

Table 3:- Regression Output of Bank Specific Factors

Variables	Model 1 (ROA)	Model 2 (ROE)
	Coefficient t-Statistic Prob.	Coefficient t-Statistic Prob.
C	-28.94858 -2.868799 0.0062	-157.1593 -2.087783 0.0424
TETA	0.079448 2.010213 0.0503	0.218724 0.741872 0.4619
TFTD	0.024457 1.696023 0.0966	0.038134 0.354503 0.7246
TDTA	0.013109 0.526228 0.6013	-0.137100 -0.737742 0.4644
OEOI	-0.007363 -2.962109 0.0048	-0.050813 -2.740308 0.0087
LTA	2.405647 3.575109 0.0008	16.12194 3.211791 0.0024
SC	-0.631257 -1.091125 0.2809	-6.459411 -1.496698 0.1413
R- squared	0.732720	0.699915
Adjusted R- square	0.692046	0.654250
F-statistic	18.01484	15.32716
Prop (F-statistic)	0.000000	0.000000

Conclusion:-

The purpose of this study is to investigate the impact of bank characteristics on Syrian Islamic bank's performance. For the dependent variable, financial performance measured by return on assets (ROA) and return on equity (ROE). The independent variables, bank characteristics are included; capital adequacy (TETA), liquidity (TFTD), deposits (TDTA), efficiency (OEOI), bank size (LTA) and Syrian crisis (SC). The empirical results indicate that LTA is significant and positively related with both ROA and ROE. While OEOI is significant and negatively related with both ROA and ROE. Other than these variables, TETA and TFTD are significant at 10% significance level and positively with ROA. TDTA and SC are found insignificant in both models.

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