Abstract

The banking sector has been the main conduit for economic activities in GCC countries. Now, more than ever, a deeper assessment of the structure, conduct, and performance of the GCC banking industry is critical if GCC countries are to resume growth. The goal of this workshop is, therefore, to enhance the exchange of ideas between academicians and practitioners, to provide a forum for discussion, and to explore innovative ideas towards a better understanding and management of the crisis-induced changes in the financial/banking industry, regulation, practices, and trends, and how these phenomena might combine to shape the future of the GCC banking landscape. The workshop encourages submission of research/discussion papers and case studies in the areas of banking and finance with special emphasis on the structure, conduct, and performance of the GCC banking industry.

Description and Rationale

A large body of empirical research supports the view that a well-developed financial system contributes to economic growth.\(^1\) Further evidence suggests that the causality runs from finance

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\(^1\) e.g., Rajan and Zingales 2003; King and Levine 1993; Levine and Renelt 1992.
The debate that remains unresolved to this date is whether economic growth is better served through market-oriented financial systems, which is the case of the US and the UK, or bank-oriented financial systems, which is the case in the GCC countries, Japan and most of the European countries. Several studies claim that the financial system’s structure is irrelevant and what matters is the financial system's overall level of development.\(^2\) Recent studies show that financial development depends on legal and political institutions.

The recent financial crisis has shown that regulators, supervisors, analysts, and academics are still lagging in their understanding of, and response to, the practice of finance. Practitioners are still motivated by profit rather than soundness. Against this background and based on the Structure-Conduct-Performance (SCP) paradigm, we aim to explore, without being limited to, the effect of structure and conduct to the overall performance of GCC financial institutions. The SCP, which is a dominant paradigm in the theory of Industrial Organization, refers to Structure as the concentration of market shares in the market, Conduct as the behavior of firms - competitive or collusive, and Performance as the extent of market power and measured by efficiency and profitability.

**Workshop Scope**

- **Structure of GCC financial systems:** We adopt a broader definition of structure than the SCP paradigm by looking at the following types of structures:
  - Market concentration and consolidation: are GCC countries better served with more, smaller financial institutions or larger, fewer ones? If so, which structure leads to more efficient markets?
  - Financial system structure: Bank-dominated versus market-dominated financial systems.
  - Islamic versus conventional finance: Islamic financial institutions have proven to be more resilient than their conventional counterpart in the wake of the recent financial crisis. Does the adoption of Sharia principles lead to a safer operating mode?
  - Ownership structure: GCC governments are major shareholders in several of the leading financial institutions in GCC countries. Does this type of ownership structure lead to more moral hazard or more conservative risk-taking behavior of banks?

- **Conduct of GCC financial institutions:** Once again, we adopt a broader definition of conduct than the one advanced by the SCP paradigm and define conduct as the competitive behavior of financial institutions as well as the risk-taking/management practices adopted by financial institutions in the GCC countries.

- **Performance is defined in terms of efficiency, as well as profitability. Efficiency can be defined as regulatory efficiency/ institutional efficiency, market efficiency, and bank efficiency (production and cost efficiency).**

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\(^3\) e.g., Rajan and Zingales, 1998; LaPorta et al., 2000; Beck et al., 2000; Levine et al., 2000; Beck et al., 2001; Levine, 2002.
**Anticipated Participants**

The workshop seeks to attract submissions from financial service providers, bank regulators and examiners, financial analysts, and academics interested in furthering research, conceptually and/or empirically on, but not limited to, the following topics in relation to SCP paradigm:

- **Structure**: market concentration, ownership structure, bank specialization (Islamic vs. conventional mode of operations)
- **Conduct**: Risk taking behavior, risk management procedures, regulatory compliance, corporate governance, transparency
- **Performance**: bank efficiency, regulatory efficiency, financial performance

**Contribution to Literature**

Regulators, bankers, multinational agencies, and analysts are still in awe of how ineffective old tools have been in addressing arising concerns. In this workshop, we encourage the dissemination, presentation, and ultimately, publication of ideas that are novel, that go beyond mainstream thinking. Accordingly, we invite submission of papers that offer novel ways of looking at the Structure-Conduct-Performance paradigm. We invite an assessment of the SCP paradigm from several perspectives (regulators, bankers, analysts, and academicians) in order to bridge the gap between regulators and practitioners. We further seek testing of the validity of the SCP paradigm in the case of GCC banks in the aftermath of the recent financial crisis.

**Workshop Director Profiles**

**Dr. Lamia Abdelaziz Obay** is an Associate Professor of Finance at Abu Dhabi University, where she held the chairmanship of the Finance department and the directorship of the Master of Sciences in Finance. She developed and held several training programs for local and visiting executives from neighboring GCC states and Europe. Dr. Lamia is the recipient of several research and industrial grants and has ample consulting experience with both local and international organizations. She authored several research articles that have appeared in scholarly journals such as the *International Research Journal of Finance & Economics*, the *Academy of Banking Studies Journal*, and the *Journal of Legal, Ethical and Regulatory Issues*. She authored ‘Financial Innovation in the Banking Industry: The Case of Asset Securitization’ with Routledge Publishing, a book that is considered one of the reference books in the topic. Her research focus lies in the areas of financial innovation, corporate finance, bank efficiency, and financial stability.

**Dr. Anis Samet** is an Assistant Professor of Finance at American University of Sharjah. Dr. Anis worked as a Risk Management Advisor with one of the largest institutional investors in Canada and has published in top financial journals, such as the *Journal of Banking and Finance*. Dr. Anis is the holder of the Financial Risk Management certificate level1, a globally recognized professional certification in financial risk management, and is sitting for the May 2011 Level 2 examination. His research focus lies in the areas of financial risk management, financial markets, Islamic finance, and financial econometrics.
Selected Bibliography


