The capital Adequacy on Profit in the Islamic Banks in the Kingdom of Bahrain

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ABSTRACT
This study aims at knowing the extent of the Capital Adequacy, both tangible and non-tangible, as well as the Capital Adequacy rate on the profit in the Islamic banks in the Kingdom of Bahrain for the period 2010-2013.

Keywords: Capital Adequacy, capital, profit, Islamic banks.

Introduction:
Modern Islamic banks are considered at the international banking level, Arab and formats Islamic finance attracted attention after the significant growth of the activity of Islamic banks and successes achieved during the previous decades, they have proved themselves by offering unique services, and we can say that this banking experience were not the last nor the scientists and researchers efforts and continue these scientists working for the advancement of Islamic banking up to what it is now.

As for Islamic banks in the Kingdom of Bahrain has evolved significantly since 1979, as the first bank established a Bahrain Islamic Bank, after so many Islamic banks have emerged

The Research problem:

The Kingdom of Bahrain is regarded as a financial center in the, in competition with as the Islamic banks in Bahrain are constantly expanding, except during the financial . Since the profit are a significant indicator in the financial performance of the bank, this study was conducted to respond to the following question:

How The Capital Adequacy on Profit in the Islamic?

Importance of the Study
This study acquires its importance from addressing a vital sector related to the financial and numerical aspect? for the number of the banking companies for which shares are being traded.

Objectives of the research:-
1- What is the relationship between Capital Adequacy and the profit in the Islamic bank?

2- What is the relationship between Capital Adequacy and the Price stock in the Islamic bank?

**hypothesis:**

1- *First hypothesis:* there are no statistically significant differences Capital Adequacy and the profit in the Islamic bank?

**Model**

\[5X + 4X + 3X + 2X \ L X = nX\]

((http://smefinancial.wordpress.com))

**The Concept of Financial Analysis:**

The concept of financial analysis (The concept of financial Analysis) Financial Analysis With the advent of the financial function independently as a function like the rest of the functions established Other afternoon and this add us at the site say that this function has emerged since 1900 Ai Specifically, when the field of financial studies using to study the financial situation of US facilities analysis, where the studies were carried out on 981 properties and conducted through the use of seven ratios for financial knowledge of these installations financial situation then became the analysis function to keep pace with the financial function in general as a basis for the development of the financial position and the subject of independent studying in universities and schools specialized in the field of finance and economy. (Al-Naimi, 2009, p. 99)

Look at financial analysis as a vast amount of the Code of historical financial data conversion process of the financial statements (balance sheet and income statement) to how much less
information, more useful for decision-making process. This deals with the financial analysis of this information auditing, analysis, interpretation and evaluation to achieve the following objectives: (Al-Naimi, 2009, p. 99)

1. Find out the company's financial hub.
2. Access to Ala_i_marah values in the company and evaluate the efficiency of its operations and its financial and productivity policy expires.
3. Fiscal policies, including the depreciation policy of credit, collection and rental inventory commodity composition of reserves, investments and policy planning. (Al-Naimi, 2009, p. 99)

Also, according to the concept of financial analysis method that uses financial ratios or quantity or graphic methods in the analysis of phenomena

Capital Adequacy

The subject of solvency (capital adequacy) of the important topics for each of the regulatory authorities and the central and commercial banks and Islamic banks to end either, as they represent the most important element of durability in commercial and Islamic banks, in this context, the central bank has worked to provide different measures of solvency, most notably Standard capital approved by the Basel Committee in 1988 and which was implemented more than 170 countries adequacy. When the practical application of that standard over several years has produced many of the strengths and weaknesses, pushing the Basel Committee to make amendments to it and finally propose a new standard for measuring the solvency termed the nomination of Basel 2, where the banks' capital plays an important role in maintaining the safety and durability of the banks and the safety systems banking in general terms limit any unexpected loss can be exposed to the bank that affect depositors' money, as is well known, the banks generally operate in an environment beset by a high degree of uncertainty, which give rise to exposure to regular and irregular risk.

And classified the risks to banks to:

Unexpected risks (the risks of uncertain) are losses that occur frequently any bank and the size of these losses are usually relatively small.

Analysis

Ithmar bank

Table (1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit</th>
<th>Capital Adequacy rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-21.99%</td>
<td>12.64</td>
</tr>
<tr>
<td>2010</td>
<td>-30.26%</td>
<td>12.88</td>
</tr>
<tr>
<td>2011</td>
<td>2.20%</td>
<td>13.2</td>
</tr>
<tr>
<td>2012</td>
<td>10.93%</td>
<td>12.77</td>
</tr>
<tr>
<td>2013</td>
<td>11.36%</td>
<td>13.50</td>
</tr>
</tbody>
</table>
First hypothesis: There are no statistically significant differences between the rates of Capital Adequacy rate and the Profit per share of the ithmar Bank of Bahrain for the period of 2009-2013.

This means that the lower the capital adequacy increased risk, Mmma reflected on the overall losses. For the banks, the losses incurred by the proven risks are relatively few, but for the non-risk confirmed the recurrence little but losses significantly, and a nutshell, the Almadh risks and unconfirmed reflected negatively capital adequacy (Khryosh et al., 2004, p. 60). In order to maintain the financial performance of commercial and Islamic banks, which is considered important metrics in achieving profits and raise the work efficiency, which will reflect on the overall economy in raising growth rates, so the central banks and financial legislation is interested in ensuring the private sector represented by the commercial and Islamic banks, the degree capital adequacy, because that is reflected to the study of factors

Table (1)

To validate the hypothesis of the first study, the arithmetic averages and the standard deviations of the Capital Adequacy rate and the Profit per share have been calculated. It is shown in the outcomes of table (1) that the arithmetic average of the ihmar Bank of bahrai estimated at -30.2%.2010 exceeds the average of the share profit rates estimated at 12.88,2011. To make sure of the significance of these differences, independent sample T tests were used. Table (1) shows the outcomes of analysis

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<table>
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<th>Year</th>
<th>Profit per Share</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>-15.00%</td>
<td>-10.00%</td>
<td>0.00%</td>
<td>5.00%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

To validate the hypothesis of the first study, the arithmetic averages and the standard deviations of the Capital Adequacy rate and the Profit per share have been calculated. It is shown in the outcomes of table (1) that the arithmetic average of the ihmar Bank of bahrain estimated at 10.93%,2012 exceeds the average of the share profit rates estimated at 12.77,2012. To make sure of the significance of these differences, independent sample T tests were used. Table (1) shows the outcomes of analysis.

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**Recommendations:-**

1. The need to apply hedge policy in banks and maintaining the largest amount of liquidity to avoid low capital adequacy with it can affect profits
2. The need to put own regarding the adequacy of the capital, where the Finance House has committed itself y standards, a 12% odds at the instructions of the Basel Convention Policy
3. should be full disclosure of data and information with full transparency, because it increases the confidence

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