

# **AN ECONOMETRIC ANALYSIS OF CONVENTIONAL AND PARTICIPATION BANKS IN TERMS OF INSOLVENCY RISK IN TURKEY**

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Since its 1970's inception, Islamic banking has expanded prodigiously all over the world. Although the popularity of participation banks in Turkey has increased in recent years, Islamic banking, despite its newfound popularity, possesses a small share of the total financial sector in comparison to the conventional banking system as a whole. As a result, the participation of banks operating in Turkey needed to be evaluated through several perspectives.

This study aims to empirically analyse the insolvency risk of Participation Banks and Conventional Banks in Turkey. Using data from individual banks covering the period of 2001 – 2012, the study applies to panel data analysis in order to provide evidence regarding the role of Participation Banks in Turkey. Empirical analysis results show that the financial strength of participating banks are better than conventional banks throughout the given period.