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Barriers toward the Implementation of Basel III by the Kuwait Banking Industry

By

Yausef Alremaidhi
Email: Yoseif811@gmail.com

Abstract

Basel III is a very important instrument for the banking industry's success. The Basel III implementation is accompanied by some challenges. This research aims to find out the implementation challenges for Basel III in the Kuwait banking industry. Based on this literature, the researcher has proposed a conceptual framework to be implemented in the Kuwait banking industry. In order to achieve that objective, this research proposed sub-objectives, which are to identify the impact of human skills, policy regulation, growth barriers, risk management, and management commitment on the implementation of Basel III by the Kuwait banking industry. This study has followed the quantitative approach. The required data for this study was collected from the banking industry in Kuwait. The population of this study includes all personnel involved in the Basel Cord implementation. The population of the study was all the banking employees that were dealing with the Basel cord in the Kuwait banking industry. For the current research, the unit of analysis was 90 employees that are dealing with Basel III from 11 banks. The findings of this research have confirmed that there is a significant relationship between human skills, policy regulation, growth barriers, risk management, and management commitment and the implementation of Basel III Cord in the Kuwait banking industry. This research was limited to the Kuwait banking industry. The conclusion is that it would be appropriate for Kuwait authorities to consider methodology alternatives for the implementation of Basel III in the banking industry.

Keywords: human skills**,** policy regulation, growth barriers, risk management, management commitment, implementation of Basel III, banking industry, Kuwait

Introduction

The Basel Committee was created in 1975 by the presidents of the central banks members of the G101 and its headquarters are in the Bank for International Settlements (BIS2) as a result of the financial crisis created by the closure of Bankhaus Herstatt (Cologne, Germany) in 1974 that generated its untimely closure causing collapses in the international payments system. Since the emergence of this international entity, it has become a discussion forum that seeks to ensure international convergence in the process of reviewing the supervisory standards for capital and liquidity sufficiency in banks with international activity to avoid possible contagion effects. In 1988, the Basel Accord I was published, which established the concept of regulatory capital, the same one that had to face credit, market and exchange rate risks. It also considered that the minimum capital of a financial institution should be 8% of the total risk assets (risk assets are understood as resources that can generate a profit or loss) (Foglia et al., 2020).

Background of Basel codes

Given the limitations of this first agreement, the Basel II Accord was born in 2004 with the appearance of an international standard that serves as a reference for regulatory entities to

establish the capital requirements essential to protect the financial institution from financial risks and operational. This agreement consists of three fundamental pillars:

- Pillar I: Minimum capital requirements
- Pillar II: Supervisory examination process
- Pillar III: Market discipline

Regarding the minimum capital requirements of Pillar, I, the first agreement is included (external and internal ratings or ratings) added capital requirements for operational risk. In other words, the standard requires that equity be greater than 8% of risk assets considering credit, market, exchange rate and operational risk. For Pillar 2, where the process of supervision of the management of own funds gives the national regulator the arguments to increase controls on financial institutions. Likewise, it must contrast the statistical methods promulgated by Pillar I to safeguard entities against possible economic crises, giving it the power to increase requirements. Financial institutions, according to this pillar, are required to store financial and credit information for 5 to 7 years continuously with their respective validations (data quality reports) and pass the respective stress tests. Another relevant point within this pillar is the empowerment of risk control by Senior Management known as Corporate Governance (Gehrig & Iannino, 2018).

Finally, Pillar III deals with market discipline where emphasis is placed on information transparency through the periodic publication of risks and the respective contingencies or provisions to mitigate them. The following section will describe the characteristics of Basel III, specifically focused on liquidity and capital adequacy that financial institutions must follow. There will be new requirements as a result of the World Financial Crisis4 that occurred in 2009 (Ghosh, 2018).

The main contribution of the Basel Committee to the Kuwait financial system are: The First Capital Accord, known as Basel I. Regarding liquidity risks, in the First Capital Agreement, it was used in resolutions regarding Technical Equity and Liquidity Risks and defining the capital requirements to cover liquidity and market risks. In code I general rules for the application of the financial institutions of the financial system, several chapters related to the Basel resolutions are indicated for the purpose of carrying out an adequate control and monitoring of potential risks in financial institutions. With the banking holiday and subsequent dollarization of the Kuwait economy, the Superintendence of Banks and Insurance considerably adjusted its measures for the administration, control, mitigation and monitoring of the management of each of the financial entities (Karyani et al., 2020).

The purpose of this new agreement was the revision of Basel II as a consequence of the subprime mortgage crisis, which generated an excessive expansion of the figures presented in the financial statements of North American financial institutions, especially banks of investment and commercial (in addition to derivative products), supported by the rapid deterioration of equity (equity) for possible scenarios of high risk exposure and evidence of low levels of liquidity to face a crisis of funds in the short term (Ghosh & Chatterjee, 2018).

It involves all world-class countries and specifically targeting commercial banks or financial institutions that have diversified underlying assets in the world's major economies. In developed economies it is mandatory to implement them in their regulations, but in developing countries, the total or partial application of the agreement is at the discretion of the regulator (Gianfagna et al., 2021).

Since 2004, the Basel Committee on Banking Supervision established the basic foundations to have an adequate control of the liquidity5 of the financial system of each Kuwait. Financial institutions are always susceptible to liquidity risks due to the intermediation process, capturing short-term deposits and granting long-term loans. Fluctuations in the international financial market undermined the need to constantly review the principles and requirements for adequate control and supervision of liquidity by financial institutions and the regulatory body. The stress scenarios (risk events) reveal a rapid loss of monetary resources due to the volatility of the prices of the underlying assets that not only affects banks but also economies in general (Gibilaro & Mattarocci, 2018).

These principles are framed in how the Liquidity Risk management must be managed correctly, where all the stages from identification to follow-up are fundamental parts to maintain good practices according to the basic precepts of the Basel Committee. Following are excerpts from the aforementioned guidelines:

Principle 1: the bank in its relevant business activities should consider the costs, benefits and liquidity risks in the pricing processes (interest rate calculation), results measurement and approval of new products, in order to ensure consistency between the inherent risks of the different lines of business with the exposure to liquidity risk assumed by the banking institution.

Principle 2: the institution must have an adequate liquidity risk identification, measurement, surveillance and control process. It should include a full projection of the cash flows resulting from assets, liabilities and off-balance sheet items for a series of relevant time horizons (Grima & Thalassinos, 2020).

Principle 3: the bank must constantly monitor and control its liquidity risk exposures and its financing needs, in accordance with the legislation of each Kuwait.

Principle 4: the financial institution must have financing sources with the necessary terms in order to promote the diversification of funding sources.

Principle 5: the bank should actively manage its positions and intraday liquidity risks 6 in order to meet its payment and settlement obligations on time.

Principle 6: the guarantees provided must be actively managed, differentiating between assets subject to encumbrance and free of encumbrance.

Principle 7: the bank should carry out periodic stress tests that contemplate various scenarios specific to the institution and for the market as a whole. This in order to identify possible sources of liquidity stress and ensure that exposures are within the institution's tolerance margin for exposure.

Principle 8: a formal contingent financing plan must be available that establishes the strategies to follow in the event of liquidity problems in the intermediation activity.

Principle 9: the financial institution should have a buffer or reserve of high-quality and freely available liquid assets in the face of a series of liquidity stress scenarios, including those that imply the loss or deterioration of commonly available sources of guaranteed financing (Gubareva & Borges, 2017).

After the First World War, the need to have a bank specialized in facilitating the pecuniary transfers that could arise in the framework of the compensation obligations that appeared as a result of the peace treaties and, as a suggestion of the Young Plan as a means of transferring German reparation payments the Bank for International Settlements (BIS) based in Basel, Switzerland is founded in 1930. In 1974 the bankruptcy of the German Bank Bankhaus Herstatt occurs, this bank was closed by the German central bank, the Bundesbank, due to its significant losses derived from its operations in foreign currency, estimated at close to US $ 200 million at the time of its closure. On that day, a number of banks had released the payment of German marks (DEM) for Herstatt in Frankfurt, in exchange for US dollars (USD), which was to be delivered in New York. Due to the differences in the time zone, Herstatt stopped operating between the times of the respective payments, causing banks not to receive their payments in dollars. These difficult circumstances almost brought about a collapse of the US payments system and the international financial system. In this context, and with the purpose of restoring the confidence and stability of the international financial system, the governors and presidents of the Central Banks of the countries that made up the Group of Ten - G10 (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) establish the Basel Committee on Banking Supervision charged with developing appropriate principles and rules on regulatory and supervisory practices of international banking markets (Ozili, 2017).

Literature review

According to research documents carried out by the Bank for International Settlements (BIS) in 2011, the study of the quantitative impact on banks is extracted under the conceptual framework of the Basel III Accord. This analysis takes into account risk based on capital ratio, leverage ratio and liquidity indicators based on data collected by the national authorities of the countries that make up the committee. In other words, for these results, significant samples of the most important banks affiliated with the collegiate body of the Committee were considered. It will only focus on what is related to Liquidity Risk, although it will indirectly touch on issues about capital risk, which is the other side of the Basel III Accord. This report takes into consideration the information from 209 banks that the sample represents, which was provided confidentially by the supervisory entities of each Kuwait involved. The members of the Basel Committee sent their associates a questionnaire with questions that covered components such as: computable equity, the calculation of risk-weighted assets, calculation of the leverage ratio and components of the liquidity indicators (Gupta & Kashiramka, 2021).

The banks that were used for this report were: The participants of this study were segmented into two groups: group # 1 (102 banks) and group # 2 (107 banks). In Group No.1, they are those with a TIER8 capital index that exceeds 3,000 million euros and who have international financial activity. On the other hand, for Group No.2, only those with amounts lower than the capital index previously exposed enter. The methodology used for this study is based on the Basel III regulatory framework implemented by each national supervisor. The study considered the average amounts reported considering a weighted sample. The quality of the data is guaranteed, since the supervisory entities of the countries involved in the study present consolidated and confidential information (Halteh et al., 2018).

This standard tries to promote a safeguard measure against possible liquidity problems. As is known, the numerator of this ratio comprises high quality liquid assets that allow covering any outflow of resources which are in the denominator of the formula presented. Taking the information from Group 1 (102 banks) and Group 2 (107 banks), the Liquidity Coverage Index

(LCR) was obtained according to the weighted average of the two groups in question. According to the results of the study, 47% of the banks in the sample of the two groups have met or exceeded the minimum requirements of the liquidity coverage ratio and 62% are close to meeting the requirement (around 75% of what demands the norm) (Harkati et al., 2020).

The statistics do not include the economic impact of the coronavirus illness (Covid-19) on participating banks due to the December 2019 reporting deadline. Nonetheless, the Committee feels that the report's material will serve as a helpful standard for study by relevant parties. There are 173 banks represented, including 105 significant international banks. These "Group 1" banks are defined as globally active banks with Tier 1 capital of more than €3 billion, and they include all 30 banks identified as global systemically significant (G-SIBs). The Basel Committee's sample also includes 68 "Group 2" banks (those with Tier 1 capital of less than €3 billion or those are not globally active).

By January 1, 2023, the final Basel III minimum standards will be in place, and by January 1, 2028, they will be completely implemented. When compared to the 2.5 percent rise at the end of June 2019, the average impact of the fully phased-in final Basel III framework on Tier 1 minimum required capital (MRC) of Group 1 banks is lower (+1.8 percent) (see the "reduced estimation bias" part of the table below). For this calculation, zero change from the revised market risk framework has been assumed for the computation of 31 December 2019 results for three G-SIBs that are outliers owing to overly cautious assumptions under the new market risk framework. There is a 2.1 percent rise when these three banks are reflected with their conservative market risk estimates.

The paper also includes information on Basel III's first minimum capital requirements, total loss-absorbing capacity (TLAC), and liquidity requirements. For the first time, the report includes a Tableau-style dashboard that displays the outcomes of the Basel III monitoring report's liquidity portion (both LCR and NSFR) using an interactive user-friendly tool to visualize the data. At a later point, similar dashboards linked to additional elements of the report may be created.

Karaarslan (2015) examined Basel III criteria in his study and investigated the possible effects on the banking system in Turkey. In this work of Kararaslan; It included the opinions of bankers, who are one of the positions that can evaluate the issue. In the study, it was concluded that it would be easy for the banking sector in Turkey to adapt to Basel III criteria. Jayadev (2013) emphasized the importance of risk management in banking in his study. In the study, the subject of risk management was examined, and information was given about the relationship between credit risk and credit risk measurement methods and capital adequacy. Kapoor and Kaur (2017) mentioned the implementation processes of Basel Criteria in Turkey in their study. In the study, information was given about the legal bases of Basel criteria in Turkey, and an examination was made on the status of the banks according to the criteria. As a result of the study, it has been observed that the banking sector in Turkey has complied with the Basel criteria.

In the study conducted by Boora and Jangra (2019), the effect of Basel criteria on the banking sector and the adaptation process of the banking sector to Basel criteria in Turkey were examined. The measurement methods introduced by Basel criteria are shown in detail in this study. Rizvi et al. (2018) examined the reflections of Basel criteria on the banking sector in Turkey in their study. In this study; Vakıfbank was chosen as a model bank and the compliance of this bank with the criteria was investigated. Kim and Katchova (2020) handled the issue of risk management in his study and examined the relevance of Basel II criteria to risk

management. Fidrmuc and Lind (2020) examined credit rating methods and practices in his study, and conducted a survey on credit rating. This survey has evaluated the study with the method it has determined. Roulet (2018) made an assessment in terms of banks' internal control systems in his study titled "The effects of Basel criteria on the Turkish banking sector in terms of internal control and recommendations". In the study, the importance of the internal control audit system for banking was discussed by establishing the connection of the internal control system with the Basel II criteria.

Methodology

This study follows the quantitative approach. Quantitative research is carried out in cases where it is important for a researcher to have statistical conclusions to gather actionable information. The numbers provide a better perspective to make important business decisions. The quantitative design of the research is vital for the growth of any organisation because any conclusion based on numbers and analysis will prove to be effective for the business. This study has employed the quantitative research approach to collect primary data from the research sample. This study has used the survey questionnaire to collect the data from 90 employees and managers working in the Kuwait banking sector. This study uses closed questions, the close-ended questions offer greater control by limiting the change of the variables that are intended to be measured. However, the investigator should consider all possible answers to a question. So, although it gives more control, it does not allow for exclusion.

No	Name of bank	No	Name of bank
1	Central bank of Kuwait	7	Kuwait International Bank
2	National Bank of Kuwait	8	Burgan Bank
3	Commercial Bank of Kuwait	9	Kuwait Finance House
4	Gulf Bank	10	Boubyan Bank
5	Al Ahli Bank of Kuwait	11	Warba Bank
6	Ahli United Bank		

Findings and discussion

The profiles of respondents are tests that are used to make sure that all the respondents were selected randomly. This test was also used to identify the background of the respondents. For this reason, the profiles of respondents contained five criteria, which are gender, age, education level, bank type, and bank tenure. According to the following table 1, the respondents of the research had two gender categories, which are male and female. The male category had a 85.56% with n = 77 out of the total of 90 respondents. While the female category had 14.44% of the total 90 respondents (n = 13). It is confirmed that most of the respondents were males. According to the following table 1, the respondents of the research were divided into several age groups, which are 18–25 years old, 26–34 years old, 35–44 years old, and over 45 years old. The first group, 18–25 years old, had 2.22% with n = 2 out of the total 90 respondents. The second group, 26-34 years old, had 18.89% with n = 17 of the total 90 respondents. The third group, 35-44 years old, had a 36.67% with n = 33 out of the total 90 respondents. The last group, 45 years old and above, had 42.22%, with n = 38, of the total 90 respondents. There was a variety in the different age categories for the participants in this study, with a slight majority for the age level of 26–34 years old. According to the following table 1, the respondents of the research had several education levels, which are diploma, bachelor, master, and PhD. The first education level had 21.11% with n = 19 out of the total 90 respondents. The second education level (bachelor) had 44.44% with n = 40 of the total 90 respondents. The third education level (master) had 20% with n = 18 out of the total 90 respondents.

The last education level (PhD) had 14.44%, with n = 13 out of the total 90 respondents. According to the following table 1, the respondents of the research had two bank categories, which are private and public. The private bank category had a 70% with n = 63 out of the total of 90 respondents. While the public bank category received 30% of the total 90 respondents (n = 27), It has been confirmed that most of the respondents were working in private banks. As the public bank works as a controller for the implementation of the Basel III code. Bank tenure refers to the working experience within the same bank. According to the following table 1, the respondents of the research were divided into several years of experience groups, which are 1–5 years, 6–10 years, 11–15 years, and above 16 years. The first group, 1–5 years, had 1.11% with n = 1 out of the total 90 respondents. The second group, 6-10 years, had 6.67% with n = 6 of the total 90 respondents. The third group, 11–15 years, had 8.89% with n = 8 out of the total 90 respondents. The last group above 16 years had 83.33% with n = 75 out of the total 90 respondents. It is confirmed that most of the respondents had experience between above 16 years old.

Table 1: *Respondents profile*

Gender	**Frequency**	**%**	**Education level**	**Frequency**	**%**
Male	77	85.56%	Diploma	19	21.11%
Female	13	14.44%	Bachelor	40	44.44%
Total	90	100	Master	18	20.00%
Age	**Frequency**	**%**	PhD	13	14.44%
18-25	2	2.22%	Total	90	100
26-34 years	17	18.89%	**Bank tenure**	**Frequency**	**%**
35-44 years	33	36.67%	1-5 years	1	1.11%
45 and above	38	42.22%	6-10 years	6	6.67%
Total	90	100	11-15 years	8	8.89%
Bank type	**Frequency**	**%**	above 16 years	75	83.33%
Private	63	70.00%	Total	90	100
Public	27	30.00%			
Total	90	100			

The construct reliability test has been used in the study for the purpose of finding out the variables' items internal consistency. This test has used two main factors to determine the internal consistency, which are Cronbach alpha and composite reliability, these two factors should be greater than 0.7 to be acceptable. The following conclusion was drawn based on the results from the following table 2: Human skills items have shown great internal consistency with Cronbach alpha and composite reliability = 0.816 and 0.878 respectively. Policy regulation items have shown great internal consistency with Cronbach alpha and composite reliability = 0.908 and 0.930 respectively. Growth barriers items have shown great internal consistency with Cronbach alpha and composite reliability = 0.753 and 0.837 respectively. Risk management items have shown great internal consistency with Cronbach alpha and composite reliability = 0.898 and 0.921 respectively. Management commitment items have shown great internal consistency with Cronbach alpha and composite reliability = 0.892 and 0.925 respectively. Implementation of Basel III items have shown great internal consistency with Cronbach alpha and composite reliability = 0.922 and 0.937 respectively. For the purpose of making sure that the data is reliable and valid, the convergent validity is another test to ensure the validity of the data. This test uses the average variance extracted (AVE) values. According to (Hair et al., 2017), the AVE should be greater than 0.5. Based on the following table 2, the variables (human skills, policy regulation, growth barriers, risk management, management commitment, and implementation of Basel III) have got acceptable AVE values, which ranged between 0.563 and 0.755.

Table 2: *Reliability and convergent validity*

Constructs	Cronbach's alpha (> 0.7)	Composite Reliability (> 0.7)	Average Variance Extracted (AVE) (> 0.5)
Human skills	0.816	0.878	0.642
Policy regulation	0.908	0.930	0.728
Growth barriers	0.753	0.837	0.563
Risk management	0.898	0.921	0.664
Management commitment	0.892	0.925	0.755
Implementation of Basel III	0.922	0.937	0.681

The descriptive statistics test is used in the statistical analysis to identify the respondents' perceptions of the variables' items. The current test uses the mean scores and standard deviations. According to the following table 3, the minimum measurement scale was 1, while the maximum measurement scale was 5. The mean scores for the variables (human skills, policy regulation, growth barriers, risk management, management commitment, and implementation of Basel III) = 3.633, 3.749, 3.751, 3.708, 3.725, and 3.778 respectively. These results confirm that the majority of respondents were in average agreement with the items stated in the questionnaire. Also, these results also confirm the essential role of the independent variables on the implementation of Basel III. Furthermore, the standard deviations for the variable were 0.698, 0.586, 0.625, 0.558, 0.689, and 0.688 respectively. The normality test has been used for the purpose of ensuring that the questionnaires had normal distribution of the data. This test has used the Skewness and Kurtosis values to determine the normality. According to Hair Jr et al. (2021), the accepted values for Skewness are to be between -1 and 1, while the accepted values for Kurtosis are to be between -2 and 2. According to the following table 3, the variables human skills, policy regulation, growth barriers, risk management, management commitment, and implementation of Basel III had an acceptable range of Skewness and Kurtosis values, where the Skewness values were ranged between -1.349 and -0.415. In the same line the Kurtosis values were ranged between 0.465 and 2.762. The multicollinearity was used in the current study for the purpose of ensuring that the independent variables correlate with each other. This test uses the tolerance values and the variance inflation factors (VIF) values to find out the correlation between the independent variables. According to Kalnins (2018), the tolerance should be less than 0.8, while Chatfield and Collins (2018) recommended that VIF should be less than 5. According to the following table 3, the independent variables (human skills, policy regulation, growth barriers, risk management, and management commitment) had an acceptable result where the tolerance values were ranged between 0.290 and 0.735. In the same line, the variance inflation factors (VIF) for the independent variables were ranged between 1.360 and 3.444.

Table 3: *Construct assessment*

Constructs	Mean	Std. Deviation	Skewness	Kurtosis Statistic	Tolerance	VIF
Human skills	3.633	0.698	-0.86	2.113	0.311	3.214
Policy regulation	3.749	0.586	-0.415	0.465	0.348	2.877
Growth barriers	3.751	0.625	-0.723	1.047	0.494	2.024
Risk management	3.708	0.558	-0.663	1.233	0.29	3.444
Management commitment	3.725	0.689	-1.349	2.483	0.735	1.36
Implementation of Basel III	3.778	0.688	-0.456	2.762	-	-

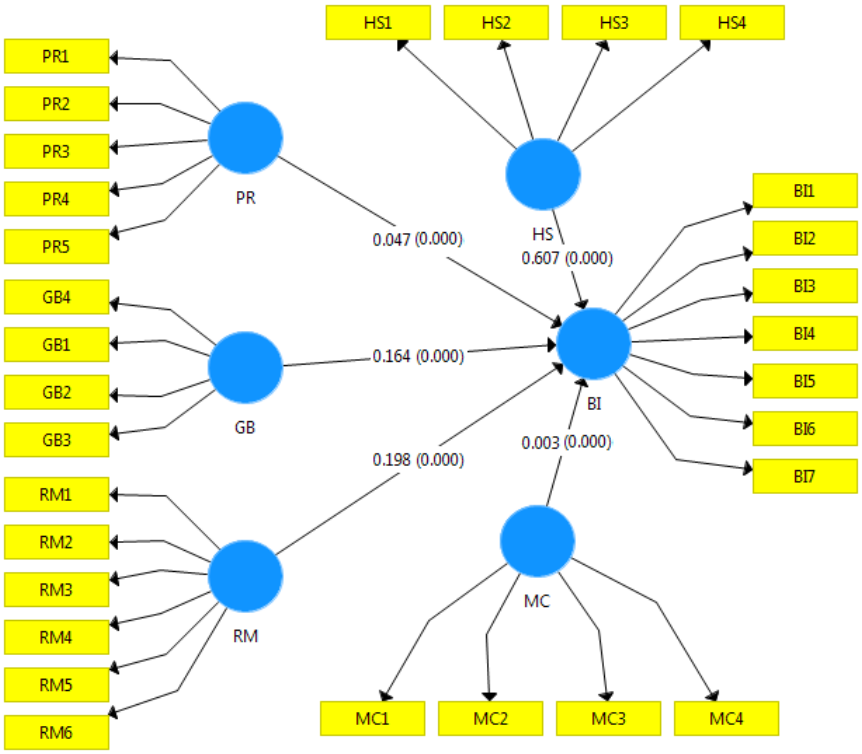
The direct effect test is the most important test in the study. It is also called the correlation test. This test aims to identify the type of relationships between the independent variables and the dependent variable. The following conclusions were drawn based on the results on the following table 4: There is a positive and significant relationship between human skills and the implementation of Basel III accord in the Kuwait banking industry with r = 0.607, t-value = 13.006, and a significant level of 0.000. There is a positive and significant relationship between policy regulation and the implementation of Basel III accord in the Kuwait banking industry with r = 0.047, t-value = 12.08, and a significant level of 0.000.

There is a positive and significant relationship between growth barriers and the implementation of Basel III accord in the Kuwait banking industry with r = 0.164, t-value = 3.877, and a significant level of 0.000. There is a positive and significant relationship between risk management and the implementation of Basel III accord in the Kuwait banking industry with r = 0.198, t-value = 4.613, and a significant level of 0.000. There is a positive and significant relationship between management commitment and the implementation of Basel III accord in the Kuwait banking industry with r = 0.003, t-value = 8.056, and a significant level of 0.000.

Table 4: *Summary of the Direct Effect*

Hypothesis	Relationship	Std Beta	Std Error	t-value	p-value	Decision
H1	HS -> BI	0.607	0.047	13.006	0.000	Supported
H2	PR -> BI	0.047	0.043	12.08	0.000	Supported
H3	GB -> BI	0.164	0.042	3.877	0.000	Supported
H4	RM -> BI	0.198	0.043	4.613	0.000	Supported
H5	MC -> BI	0.003	0.055	8.056	0.000	Supported

HS: human skills; PR: Policy regulation; GB: Growth barriers; RM: Risk management; MC: Management commitment; IB: Implementation of Basel III



Note: * = p < 0.05, ** = p < 0.01

Figure 1: *Structural Model*

The structural equation modeling (MES) is a technique multivariate statistic to try and estimate causal relationships from statistical data and assumptions about qualitative causality. This definition has been articulated by geneticist Wong (2013) using counterfactual calculus. Since the structural equation models are created from statistical parameters, several computer packages have been designed that allow the calculation and analysis of relationships between variables. According to the following table 4, the model for the current study explains the relationships between the independent variables and the implementation of Basel III in the Kuwait banking industry with 78.5%, while the rest can be explained by some other variables. According to the following table 4.17 the R square is = 0.785, which is presented as a substantial relationship by Cohen (2016) and a high relationship by Chin (1998).

Table 5: *R2 of Endogenous Latent Variables*

Construct	R^2	Result	
		Cohen (1988)	Chin (1998)
Implementation of Basel III	0.785	Substantial	High

Conclusion

Basel III is a very important instrument for banking industry success. The Basel III implementation is accompanied by some challenges. This research aims to find out the implementation's challenges for Basel III in the Kuwait banking industry. For that matter, the researcher has been reading lots of literature about the challenges that face the implementation of Basel III, based on this literature, the researcher has proposed a conceptual framework to be implemented in the Kuwait banking industry. In order to achieve that objective, this research proposed sub-objectives, which are to identify the impact of (human skills, policy regulation, growth barriers, risk management, and management commitment) on the implementation of Basel III by the Kuwait banking industry. This research can evaluate both conventional and Islamic banks in the Kuwait under the same model when analysing the Kuwait's effective application of the Basel III framework as a buffer against global financial crises and a risk management system. This is due to the fact that the financial consequences of crises and failures to cover various types of banking risks are worldwide and universal, affecting both conventional and Islamic financial institutions. When Islamic banks produce products that are comparable to those found in the conventional banking system, they will be exposed to the same risks as conventional banks, making them more susceptible in the event of a financial crisis

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