THE IMPACT OF CREDIT MARKET PERFORMANCE ON THE ECONOMIC SECURITY IN THE UNITED ARAB EMIRATES

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SULTAN IDRIS EDUCATION UNIVERSITY

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ABSTRACT

This study investigates the impact of credit market performance on economic security in the United Arab Emirates (UAE) from 1990 to 2023. Using the credit friction and market freeze theory, advanced methodologies are employed, including the Gregory-Hansen cointegration test, autoregressive distributed lag (ARDL) bounds testing, nonlinear ARDL (NARDL) model, the Kuznets curve, and Toda-Yamamoto causality test. The Gregory-Hansen test identifies structural breaks, while the ARDL bounds test confirms a long-term relationship between economic security and credit market components, including domestic credit supply and nonperforming loans. Results indicate that both credit market and nonperforming loans negatively affect economic security. Furthermore, higher lending interest rates and weak institutional quality are detrimental, whereas rising oil prices, public expenditure, foreign capital inflows, and real GDP contribute positively to economic security. The NARDL results reveals an asymmetric effect of domestic credit supply on economic security. Utilizing the Kuznets curve model, the threshold relationship between economic security and credit supply is confirmed, with an inverted U-shaped relationship. This suggests that initial improvements in economic security lead to increased credit, which peaks at around USD 158.489 billion. Beyond this threshold, further improvements in economic security lead to reduced credit supply. Causality analysis using the Toda-Yamamoto test finds bidirectional causality between economic security and both oil prices and public expenditure. Unidirectional causality is detected from foreign capital inflows, the credit market, and real GDP to economic security. However, no causality is found between economic security and nonperforming loans, lending rates, or institutional quality. The findings imply that sustainable economic security in the UAE depends on balanced credit market growth, institutional strengthening, and strategic economic diversification beyond oil dependence. The study concludes that a well-regulated credit market, supported by sound economic policies and institutional resilience, is essential for enhancing long-term economic security and sustainable economic development in the UAE.

KESAN PRESTASI PASARAN KREDIT TERHADAP KESELAMATAN EKONOMI DI EMIRIAH ARAB BERSATU (UAE)

ABSTRAK

Kajian ini menyelidik hubungan antara prestasi pasaran kredit dan keselamatan ekonomi di Emiriah Arab Bersatu (UAE) dari tahun 1990 hingga 2023. Menggunakan model geseran kredit dan pembekuan pasaran, kajian ini menggunakan metodologi canggih, termasuk ujian kointegrasi Gregory-Hansen, ujian batas autoregressive distributed lag (ARDL), pemodelan nonlinear ARDL (NARDL), lengkung Kuznets, dan ujian kausaliti Toda-Yamamoto. Ujian Gregory-Hansen mengenal pasti pecahan struktur, manakala ujian batas ARDL mengesahkan hubungan jangka panjang antara keselamatan ekonomi dan komponen pasaran kredit, termasuk bekalan kredit domestik dan pinjaman tidak berbayar. Anggaran ARDL, yang disahkan oleh Dynamic Ordinary Least Squares (DOLS), Canonical Cointegrating Regression (CCR), dan Fully Modified Ordinary Least Squares (FMOLS), menunjukkan bahawa bekalan kredit domestik dan pinjaman tidak berbayar memberi kesan negatif terhadap keselamatan ekonomi di UAE. Selain itu, kadar faedah pinjaman yang lebih tinggi dan kualiti institusi yang lemah didapati merosakkan keselamatan ekonomi, manakala harga minyak yang lebih tinggi, perbelanjaan awam, aliran modal asing, dan KDNK benar meningkatkannya. Model NARDL mendedahkan kesan asimetri bekalan kredit domestik terhadap keselamatan ekonomi. Menggunakan model lengkung Kuznets, hubungan ambang yang sedia ada antara keselamatan ekonomi dan bekalan kredit disahkan, dengan hubungan berbentuk U terbalik. Ini mencadangkan bahawa peningkatan awal dalam keselamatan ekonomi membawa kepada peningkatan bekalan kredit, memuncak pada sekitar USD 158.489 bilion. Selepas titik ini, peningkatan selanjutnya dalam keselamatan ekonomi mengakibatkan penurunan dalam bekalan kredit. Ujian kausaliti Toda-Yamamoto mengenal pasti kausaliti dua hala antara keselamatan ekonomi dan harga minyak, serta antara keselamatan ekonomi dan perbelanjaan awam. Kausaliti sehala diperhatikan dari aliran modal asing, bekalan kredit domestik, dan KDNK benar kepada keselamatan ekonomi. Walau bagaimanapun, tiada kausaliti wujud antara keselamatan ekonomi dan pinjaman tidak berbayar, kadar faedah pinjaman, atau kualiti institusi. Kajian ini mengesyorkan agar kerajaan dan pihak berkuasa monetari memantau pertumbuhan kredit, mengurangkan risiko, memperkukuh institusi, dan mempelbagaikan ekonomi daripada minyak.

CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

ADF	Augmented Dickey-Fuller unit root test
AECB	Al Etihad Credit Bureau
AIC	Akaike Information Criterion
ARDL	Autoregressive Distributed Lag
CBUAE	Central Bank of UAE
CUSUM	Cumulative Sum of Recursive Residuals
CUSUMSQ	Cumulative Sum of Squares of Recursive Residuals
DOLS	Dynamic OLS
EU	European Union
FCSA	Financial Competitiveness and Statistical Authority
FDI	Foreign Direct Investment
FMOLS	Fully Modified Ordinary Least Squares
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GMM	Generalised Method of Moments
IMF	International Monetary Fund
IV	Instrumental variable
MENA	Middle East and North Africa
MWALD	Modified Wald test
NARDL	Nonlinear Autoregressive Distributed Lag
OECD	Organisation for Economic Cooperation and Development
OLS	Ordinary Least Squares

PP	Phillips-Perron unit root test
RESET	Regression Specification Error Test
SIC	Schwartz Information Criterion
TSLS	Two Stage Least Squares
UAE	The United Arab Emirates
UK	The United Kingdom
USA	The United States of America
VAR	Vector Autoregressive
WDI	World Development Indicators
ZA	Zivot-Andrews unit root test

LIST OF APPENDICES

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The relationship between the credit market and sustainable economic growth and development is a subject of extensive debate in the economic literature. Echoing Schumpeter's (1911) perspective on the role of the credit market in fostering economic dynamism, early growth theories posited that the credit market influences economics growth through two distinct but complementary channels, namely the total factor productivity and capital accumulation channel. The first channel focused on the capacity of a well-functioning credit market, as a vital component of the financial systems, in mobilising savings and funnelling them to productive investments, leading to enhanced capital accumulation and higher output growth (Ehigiamusoe & Lean, 2020). The latter channel stressed the significance of the market in reducing the problem of information asymmetry and transaction costs, making it easier to allocate financial resources and investment project monitoring (Levine & Zervos, 1998; King & Levine, 1993). Notwithstanding the channel of impact, the main conclusion from empirical studies associated with the finance-growth nexus is that an efficient credit market is capable of accelerating sustainable economic growth and development (Demetriades & Law, 2006; Ehigiamusoe & Lean, 2018; 2020; Gould et al., 2016).

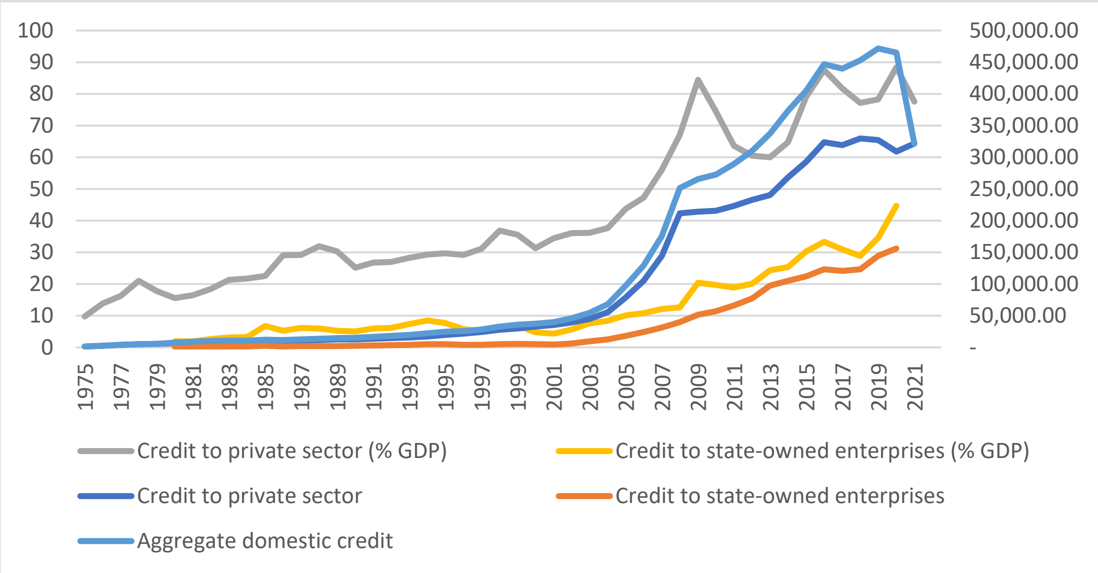
Contrastingly, since the 1980s, there has been mounting evidence that suggests that the relationship between finance and growth is complex. For instance, some studies posited that the influence of credit growth on economic growth differs between developed and developing economies (Ehigiamusoe & Lean, 2020). Indeed, with credit market development accelerating economic growth in some countries, but not in other countries, several evidences have shown that the growth effect of credit may depend on several factors, including the level of economic development, depth of financial activities, pace and structure of financial development, the quality of economic and political institutions, and inflation rates (Ehigiamusoe & Lean, 2017; 2020; Ehigiamusoe et al., 2019; Ho & Saadaoui, 2022). Moreover, Rousseau and Wachtel (2011) argued that the positive link between finance and output growth is no longer strong in the recent decades in comparison with the periods between 1960 and 1989. The recent weakness in the role of credit in facilitating output growth has been attributed to factors such as excessive financial deepening, financial crises, widespread financial liberalization, and inadequate legal or regulatory infrastructure (Ehigiamusoe & Lean, 2020; Ehigiamusoe et al., 2019).

Therefore, studies have generally concluded that the potential positive relationship between credit and growth may be subject to a threshold beyond which further expansion becomes repugnant to output growth (Arcand et al., 2015; Ehigiamusoe & Lean, 2020; Ho & Saadaoui, 2022; Law & Singh, 2014). Indeed, this position is well accentuated by the 2008/2009 global financial crisis, demonstrating that when credit growth outpaces economic fundamentals, it can lead to speculative bubbles, financial instability, and eventual economic downturns.

Meanwhile, because of the potential benefits of a well-functioning financial sector to long-term economic growth and development, the United Arab Emirates (the UAE) has adopted policies and measures that prioritise the transformation of the country's financial system. Facilitated by its strategic location at the crossroads of financial flows from several regions, its position as a major hub for trade, investment, tourism, and aviation, and the legacy of an open and liberal trade regime, the UAE's financial sector has experienced positive development since the 1970s (Aljassmi et al., 2023; IMF, 2012; Samour et al., 2022). Demonstrating the significant expansion of the country's credit market, the credit to households, corporations, and public and quasi-public enterprises has expanded rapidly over time. Available statistics from the World Bank's World Development Indicators (WDI) and the Global Financial Development (GFD) revealed that domestic credit from banks and other financial institutions to the private sector and state-owned entities has maintained a steady expansionary stance between 1975 and 2021. For instance, between 1975 and 2020, the credit of the banks and other financial institutions to the private sector relative to the gross domestic product rose from about 9.76 percent (equivalent to about US$1.437 billion) in 1975 to more than 88.41 percent (equivalent to about US$321.764 billion) in 2020. Similarly, the domestic credit to state-owned enterprises (as a share of the gross domestic product) rose from about 1.95 percent (US$848.338 million) in 1980 to more than 44.66 percent (equivalent to over US$156.059 billion) in 2020 (see Figure 1.1).

Figure 1.1

Plots of credit to private sector and state-owned enterprises in the UAE

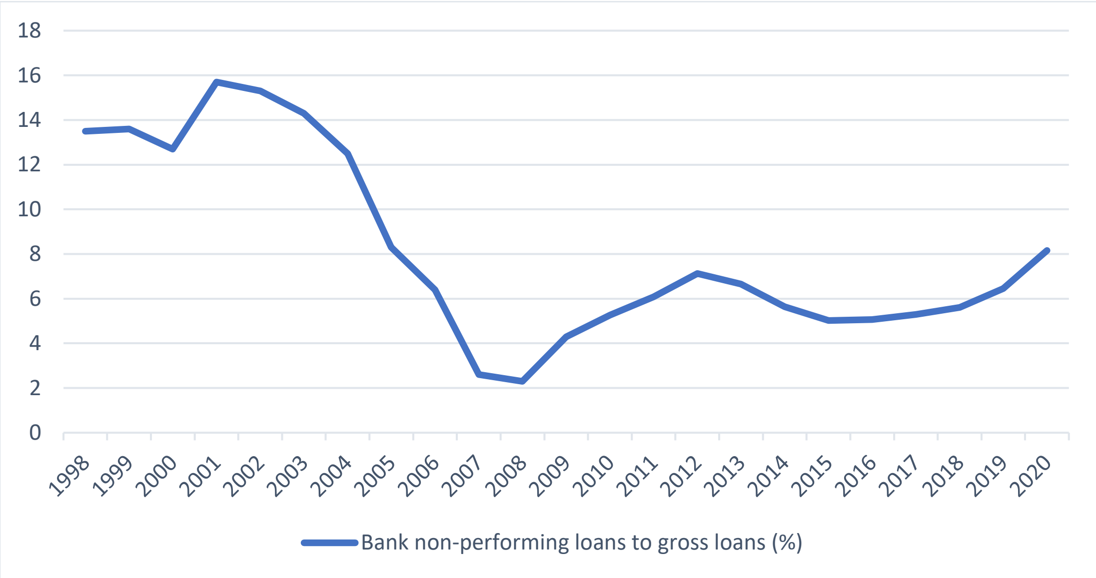


Source: Calculation based on data collected from the World Bank's WDI and GFD

The significant increase in the domestic credit demand may not be unconnected to the country's rapid population growth, the opening up of the residential property sector to foreigners, the rapid expansion of the free zones, the booming tourism industry, and several large private and public sector infrastructure project financing (IMF, 2007). However, the intricacies associated with the credit market dynamics in the country tend to threaten the stability and performance of the market. Essentially, the re-emergence of the issue of credit default, evidenced by the sharped increase in bank nonperforming loans (NPLs), in the credit market is again raising worries about the possible disruption of the credit market development (Kumar & Kishore, 2019; Espinoza & Prasad, 2010; World Bank, 2023). For instance, available statistics revealed that the nonperforming loans (NPLs) of banks in the country have experienced a significant expansion, much more than they did in the periods preceding the 2008/2009 global financial crisis. Specifically, during the pre-crisis period, the ratio of non-performing loans to total loans declined steadily from about 13.5 percent in 1998 to about 2.3 percent at the end of 2008. However, in 2009, the size of the NPLs relative to total bank loans rose to 4.3 percent, maintaining a consistent increase to about 8.16 percent in 2020 (See Figure 1.2). Incidentally, the stock of gross non-performing loans also grew modestly during these periods.

Figure 1.2

Plots of ratio of nonperforming loans (NPLs) (% of total bank loans) in the UAE



Source: Calculation based on data collected from the World Bank's WDI and GFD

Evidence in the literature has shown that excessive credit growth and a corresponding marked increase in loan default often precedes financial crises, as seen during the 2009 global financial crisis and the Asian financial crisis (Kauko, 2012;

Kelly et al., 2013; Khan et al., 2020). However, the fact that ensuring a disruption in the credit market development typically has a devastating implication on sustainable economic growth and development, has once again brought to the front-burner the issue of the country's economic security[1] and how it could be potentially influenced by the developments in the credit market. On the one hand, a well-performing credit market may strengthen a country's economic security, given that the efficient and sound allocation of capital and investments is capable of facilitating the resilience of households and firms during economic downturns. Conversely, a credit market's failure can have far-reaching consequences on a country's economic security (Hacker et al., 2012). The significant economic dislocations, including income volatility, unemployment, and sharp drops in housing wealth and other assets witnessed during the financial crisis of the late 2000s, have shown that a financial crisis occasioned by the inefficiency of the credit market could disrupt a country's economic security (Hacker, 2018). Thus, the performance of the credit market is a critical determinant of a nation's economic stability and security.

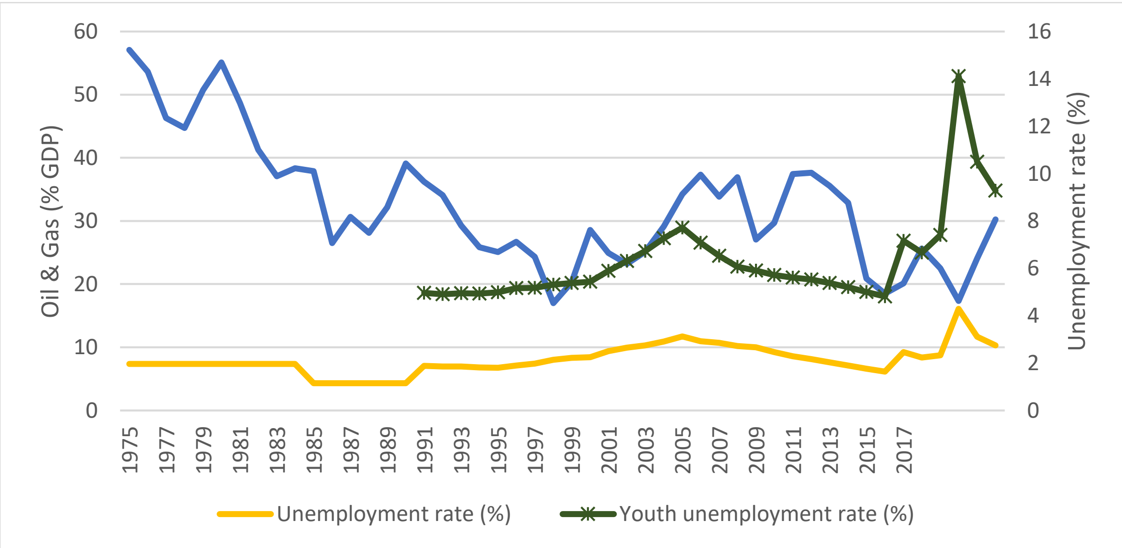
In the recent decade, the UAE has not only experienced an expansion in credit growth and non-performing loans, it has also been at the centre of significant macroeconomic disruptions, including the surge in the unemployment rate, increase in out-of-pocket health expenditure, and marked fluctuations in per capita income, and aggregate economic activities. These distortions have mostly been occasioned by the

[1] Economic security is a multidimensional concept encompassing the capacity of individuals, households, or nations to maintain a certain level of well-being, stability, and resilience in the face of economic shocks and challenges. It involves access to stable employment opportunities, adequate income, social safety nets, healthcare, education, and the ability to save and plan for the future. Economic security is influenced by various economic, social, and political factors and is a critical aspect of overall human development and societal stability.

variations in the oil and gas prices; suggesting the vulnerability of the economy and the seeming weakness of its economic security. Occasioned by the emirate of Abu Dhabi's skilful management of the country's oil wealth and Dubai's strong push for economic diversification, the country was able to reduce the significance of the oil and gas sector in the economy, with the nonoil sector, particularly by construction and real estate, tourism, trade, manufacturing, and the service sector (financial services) leading the strong growth of the economy (Federal Competitiveness and Statistical Authority [FCSA], 2023; World Bank, 2023). However, the oil and gas sector still account for about one-third of the economy, while about 50 percent of public revenue is sourced from the receipts from oil and gas sales (See Figure 1.3). Besides promoting the fluctuation in the per capita income, the heavy dependence on the oil and gas sector has also often contributed to the deceleration in income in the country.

Figure 1.3

Plots of the ratio of oil and gas output to the GDP (%) and unemployment rates (%)



Source: Calculation based on data collected from the World Bank's WDI and Federal Competitiveness and Statistical Authority (FCSA)

In recent years, the country has also battled with a spike in the incidence of unemployment, most especially among the youth (see Figure 1.3). Although the country's unemployment rate is among the lowest in the region, the recent increase in the unemployment rate is not unconnected to the sizable social security payments, the presence of cheap and skilled foreign labour, and the inferior outlook perception of Emiratis toward certain jobs (Gamal, 2016). However, the very fact that non-nationals make up more than 80 percent of the country's labour force itself is a major threat to the country's economic security, as any change in the labour market will spiral to all sectors of the economy. Ordinarily, these developments, particularly, the increase in unemployment, reliance on oil, and volatility in per capita income, amongst others, accentuate the vulnerability of the country, and by extension threaten its economic security. However, the fact that these macroeconomic disruptions are often associated with interesting developments in the credit market demonstrates the importance of extensively exploring the connection between the country's economic security and the performance of the credit market, which among other things, is very significant for policy making.

Given the magnitude of the negative consequences associated with the 2008/2009 financial crisis in the country, it is perhaps imperative to explore the performance of the country's credit market and how public policies could be used to influence the country's economic security of the country. This is particularly important in light of the alarming credit growth and the expansion in the nonperforming loans, coupled with the high level of unemployment rate and dwindling income in the country. Interestingly, despite the developments in the UAE's credit market, as shown in the marked credit growth and the expansion in NPLs, researchers have been less interested in investigating the implications of the market dynamics for the country's economic security. According to Yuzue and Sekiyama (2025) economic security is the condition in which individuals, households, or entire nations can reliably meet essential needs—not only for today but into the foreseeable future—with dignity and resilience. It encompasses access to stable income, employment, healthcare, food, housing, and safety nets that buffer against shocks such as job loss, illness, or supply disruptions. At the national level, economic security also includes safeguarding sovereignty and economic strength by protecting critical supply chains, diversifying sources of essential goods, and preventing dependence or loss of advanced technologies.

While economic growth measures the quantitative expansion of output—typically GDP per capita—economic development is broader, reflecting improvements in well-being: health, education, poverty reduction, and equitable income distribution Economic security differs fundamentally: it focuses on stability and resilience rather than growth or welfare alone. Growth may boost output but not guarantee resilience or equitable welfare; development improves quality of life, but without secure foundations (e.g., jobs or stable income), gains can vanish. By contrast, economic security ensures that both individuals and societies can sustain living standards and withstand shocks, regardless of growth or broad development progress.

In sum, economic security is about safeguarding continuity and dignity in meeting basic needs—distinct from growth's volume or development's holistic welfare improvements—and is increasingly recognized as essential in policymaking, particularly amidst post-pandemic disruptions and geopolitical tensions. Most of the existing studies in the UAE focused on the relationship between credit supply to the private sector and the country's economic performance (see Al-Malkawi et al., 2012; Shadab, 2021). However, to the best of our knowledge, there exists no known study that explicitly explores the influence of credit market performance and economic security, both within and outside of the UAE.

It is therefore against this background that the current study examines the impact of credit market performance on economic security in the UAE. The study is significant and deviates from the extant literature in several ways. Firstly, besides being the novel attempt to investigate the impact of credit market performance on economic security in the UAE between 1990 and 2023, the study also develops a multidimensional economic security index (ESI) following Hacker et al. (2012). Instead of using selected indicators of economic security, the adoption of a comprehensive ESI provides a robust outcome. Secondly, the study is also important because it seeks to investigate whether the effect of credit market performance on economic security is asymmetric. Following the extant literature on the presence of an asymmetric relationship between credit market performance and economic growth, it is equally imperative to determine whether the influence of credit market performance depends on certain conditions or factors, or whether the effect is conditioned at a certain threshold. Lastly, by adopting several robust estimation techniques to examine the relationship between credit market performance and economic security, the ensuing study outcome is expected to contribute to the growing literature. Also, and most importantly, the outcome is expected to shed light on the nature of the relationship between credit market development and economic security, providing policymakers in the UAE with relevant strategies to strengthen the country's economic security while also improving the performance of the credit market.

1.2 Problem Statement

The role of a well-functioning credit market in effectively mobilising and allocating financial resources to enhance the process of sustainable economic growth and development has been well established, both in the empirical and theoretical literature. Indeed, owning to the 2008/2009 global financial crisis, the capacity of inefficient credit markets leading to speculative bubbles, financial instability, and eventual economic downturns is equally well acknowledged both within the academic and policy circles (Kauko, 2012; Khan et al., 2020).

Like most emerging markets, the UAE has a well-developed credit market, which is mainly driven by the banking system. Underpinned by its strategic location, coupled with its stable and favourable political and economic environment, the credit market has experienced a positive development since the 1990s (Aljassmi et al., 2023; IMF, 2012; Samour et al., 2022). The development of the market is, perhaps, accentuated by the rapid expansion in the credit to households, corporations, and public and quasi-public enterprises. From about 9.76 percent (equivalent to about US$1.437 billion) in 1975, domestic credit to the private sector relative to the GDP rose to over 88.41 percent (equivalent to about US$321.764 billion) in 2020. In a similar vein, credit to state-owned enterprises (relative to the GDP) also increased from about 1.95 percent (about US$848.338 million) in 1980 to about 44.66 percent (equivalent to over US$156.059 billion) in 2020.

Notwithstanding the expansive credit growth, the UAE's credit market is also associated with some intricacies, such as the rapid increase in credit default, which are capable of threatening the stability and performance of the market, and ultimately encouraging economic disruptions (Kumar & Kishore, 2019; Espinoza & Prasad, 2010). Since the global financial crisis, the UAE's credit market has also witnessed a steady increase in credit default rates. For instance, while the ratio of nonperforming loans of banks to the gross loan reduced to about 2.3 percent in 2008 from about 13.5 percent in 1998, NPLs rose rapidly from 4.3 percent in 2009 to about 8.16 percent in 2020 (World Bank, 2023). The significant increase in credit demand is unequivocally associated with rapid population growth, the boom in the real estate market, and the thriving of the tourism sector. However, the seeming ease at which individuals, households and businesses could access credit in the UAE is perhaps is most important driver of credit growth. (Al Swaify, 2021).

In the UAE, according to the regulations set out by the Central Bank of the UAE (CBUAE), individuals (both nationals and foreigners) can obtain credit facilities (including personal loans, car loans, retail credit facilities/credit cards, bank overdraft, and mortgage loans) from banks (conventional and Islamic) and other financial institutions (see CBUAE Regulation No. 29/2011, 2022). For personal loans, banks and other financial institutions are allowed to provide individuals and businesses with loans up to twenty (20) times their salary/total income, with repayments made out of salary and end-of-service indemnity and/or any other verifiable regular income from a well-defined source", which can extend up to 48 months. These terms and conditions are also subject to loans obtained by sole proprietorship firms and companies from banks and other financial institutions in the country, which are secured by the salary(ries) of the owner or partners. Unfortunately, this seeming ease in the demand for loans coupled with the failures of banks and other financial institutions in the credit market to adequately assess the capacity of individuals and firms to pay back has led to an increase in loan default rates, as shown in the NPLs figures and the noticeable number of loan default disputes and lawsuits between banks and individuals and companies (see Al Swaify, 2021; Bayoumi, 2023a; 2023b). unequivocally, these scenarios may raise the risks to the credit market in the country, which, inevitably, may strategically affect the economic security.

Recently, it was reported that Indian borrowers defaulted an estimated Dh25 billion (equivalent to about US$6.807 billion) in their loan repayment between 2015 and 2021, with many having fled the country (Anwin, 2021; Augustine, 2021). Some others with large loans are fleeing the country while abandoning their vehicles (Glover, 2020; Harper, 2012). In addition, it has been alleged that individuals now take advantage of the loopholes in the credit law to set up shell companies which are used to recruit individuals from foreign countries. Since personal loans are secured with salaries, these companies reportedly send the individuals recruited to banks and financial institutions across the country to obtain loans equivalent to twenty times the stated salaries. When approved, these funds are eventually handed over to the entities behind the shell companies, while the individuals recruited are settled and ferried out of the country, and the lending entities lose huge sums of money. Despite the introduction of the Credit Score and Reports by the Al Etihad Credit Bureau (AECB), an Emirati agency mandated by law to regularly collect credit information from financial and non-financial institutions in the UAE, to help banks and other financial institutions assess the creditworthiness of loan applicants, the situation seems not to be any better.

Ironically, besides the recent marked credit growth and increase in credit default rate, the country has also been associated with some significant macroeconomic disruptions, including the surge in the unemployment rate and the noticeable fluctuations in per capita income and the national output (World Bank, 2023). Interestingly, owning to the economic disruptions witnessed during the financial crises of the late 20s, Hacker (2018) argued that a country's economic security may be influenced by inefficiency in the credit market. Evidence suggests that financial crises are often preceded by excessive credit growth and a rapid increase in credit default, as seen recently in the UAE (Kauko, 2012; Khan et al., 2020), determining the connection between the performance of the credit market and economic security will provide an important basis for policy making. Therefore, this study seeks to investigate the impact of credit market performance on economic security in the UAE during the 1990-2023 periods, in addition to the evaluation of the tendency of an asymmetric relationship.

1.3 Research Questions

Based on the foregoing discussion, the following questions were raised:

i. What is the impact of the credit market performance on economic security in the UAE?

ii. Is the relationship between credit market performance and economic security asymmetric?

iii. What is the optimal level of credit market performance that could be attributed to economic security in the UAE?

iv. Is there a causal relationship between credit market performance and economic security, and its potential factors in the UAE?

1.4 Research Objectives

Against the backdrop of the questions raised above, the major objective of the present study is to explore the nature of the relationship between the performance of the credit market and economic security in the UAE during the period from 1990 to 2023. The specific objectives of the study are:

i. To examine the impact of credit market performance on economic security in the UAE.

ii. To investigate whether the relationship between credit market performance and economic security is asymmetric.
iii. To identify the optimal level of credit market performance that can be attributed to the economic security in the UAE.
iv. To ascertain the causal relationship between credit market performance and economic security and its potential factors in the UAE.

1.5 Research Hypotheses

The corresponding hypotheses in their null form are specified as follows:

H_1^0: The effect of credit market performance on economic security in the UAE is unknown.

H_2^0: The relationship between credit market performance and economic security in the UAE is not asymmetric.

H_3^0: The extent to which the optional level of credit market performance can be attributed to economic security is not known.

H_4^0: There exists no causal relationship between credit market performance and economic security in the UAE.

1.6 Scope of the Study

This study sets out to explore the relationship between credit market performance and economic security in the UAE. In addition, the research equally seeks to examine the asymmetric impact of credit market performance on economic security; the causal relationship between credit market performance and economic security, and whether there is a level of credit market performance that can be associated with economic security in the country. The decision to study the relationship between credit market performance and economic security in the UAE is significantly driven by adverse consequences associated with the 2008/2009 global economic crisis in the country, and the need to understand how changes in the credit market could affect the economic security of individuals, households and the overall economy. The study covers the period between 1990 and 2023. While the timeframe covers important periods of shocks in the economy and the credit market, the choice of the period is mainly influenced by the availability of data.

1.7 Motivation and Significance of the Study

In the literature associated with the financial and credit market performance, the attention of researchers is heavily skewed towards exploring the response of economic growth to the developments in the market, while policymakers prioritise the transformation of the financial system to enable the economy to benefit from the positive gains associated with the development of the credit market. However, the Asian financial crisis and the 2008/2009 global financial crisis have shown that the influence of credit market development on growth may be either conditioned by some factors or subject to a threshold, beyond which further expansion becomes repugnant to growth. Notwithstanding this understanding, and despite the significant economic dislocations associated with financial crises, researchers did not deem it important to consider how the developments in the credit market may influence a nation's economic security. For a country like the UAE which was significantly affected by the 2008/2009 global financial crisis, the need to explore this link cannot be trivialised. Therefore, by exploring the relationship between credit maker performance and economic security in the UAE, the present study is very topical and significant as it sheds more light on the nature of the relationship between the duo.

Besides being the first attempt at examining the relationship between credit market performance and economic security, the current study is equally very relevant given the construction of a comprehensive multidimensional economic security index. Unlike existing studies that focused on the relationship between certain indicators of economic security and credit market performance, the use of the multidimensional economic security index provides an opportunity to obtain a precise and robust outcome. Moreover, given the evidence of an asymmetric relationship between credit market performance and economic growth, the present study is significant as it sets out to examine whether the effect of credit market performance on economic security is asymmetric. Similarly, since it is argued that the effect of credit market performance on economic growth may be subject to a threshold and/or dependent on some factors, the study bridges the gap in the literature by considering the different levels of credit market performance that are associated with economic security. This is important as it provides a guide to determine the level of credit market performance that is beneficial to economic security and the levels which threaten the economic security of a country.

Beyond shedding light on the relationship between credit market performance and economic security, it is expected that the outcome of the present study would provide policymakers with insight into the developments in the UAE's credit market and country's economic security, in a bid to facilitate the stability and further development of the economy. In addition, given the absence of studies in this regard, it is expected that this study will rekindle the discourse on economic security and its response to macroeconomic variations. Lastly, due to the similarity of the economy of the UAE to other Gulf Cooperation Council (GCC) countries, it is anticipated that the outcome of the study will motivate the exploration of the relationship between credit market dynamics and economic security in the countries.

1.8 Organisation of the Study

The thesis is organised as follows: Chapter one is the introduction and it consists of the background of the study, statement of the research problem, research questions, research objectives, hypotheses of the study, motivation, and significance of the study, the scope of the study, and plan of the study. Chapter two is a review of the literature, and it is made up of the conceptual literature on the credit market and economic security, and an overview of the UAE's economy. The theoretical and empirical literature associated with the credit market and economic security is also considered in chapter two alongside the gap in the literature. Chapter three is the research methodology, and it comprises model specification, justification of variables, methods of analysis, and sources of data. Chapter four is for the presentation and discussion of results. Chapter five contains a summary of major findings, policy implications/recommendations, conclusion, limitation of the study, and recommendation for future research.