



**THE COMPARISON OF PROFITABILITY BETWEEN
ISLAMIC AND CONVENTIONAL BANKS:
A CASE STUDY IN MALAYSIA**

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ABSTRACT

There is no arguing that banks are one of the main contributors of welfare in the Malaysian economy. This study investigates the profitability between conventional banks and Islamic banks in terms of volume of deposits, volume of loans, capital adequacy and management quality in Malaysia for a period of ten years (2006-2015). The focus of this research is to examine the relationship between volume of deposits, volume of loans, capital adequacy and management quality on the profitability of Islamic banks and conventional banks. The findings show that there is a positive significant relationship between the volume of deposits towards profitability of conventional banks and negative significant relationship between the volume of deposits towards profitability of Islamic banks. Besides that, volume of loans also has a positive significant relationship towards the profitability of Islamic banks. Thus, the banks administrators and managers should pay more attention on both of the volume of deposits and loans in order to increase the banks' profitability.

Keywords: *Islamic banks, conventional banks, profitability*