



**THE EFFECT OF FINANCIAL INDICATORS TOWARDS LIQUIDITY RISK: A
COMPARATIVE STUDY BETWEEN CONVENTIONAL AND ISLAMIC BANKS
IN MALAYSIA**

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ABSTRACT

Bank and risk are two things that cannot be separated from each other. Both conventional and Islamic banks are more or less similar in risk summary. One of the critical risk is liquidity risk that caused by bank disabilities on meeting their maturity dates of depositors. Therefore it needs further observations to control their liquidity risk. This study attempts to analyze the significant effect of financial indicators towards liquidity risk and do the comparison between conventional and Islamic banks in Malaysia. This study used capital adequacy ratio, return on asset and return on equity as financial indicators. This study based on secondary data in a period of five years from 2014-2018. Panel regression analysis method is used for data analysis. The results of this study indicates that all independent variable using in this study are insignificant towards liquidity risk for conventional banks, while for Islamic banks only one independent variable which is capital adequacy ratio has significant positive effect towards liquidity risk.

Keywords: Liquidity risk, capital adequacy ratio, return on asset, return on equity