

UNIVERSITI TEKNOLOGI MARA

**A COMPARATIVE ANALYSIS BETWEEN ISLAMIC BANKING AND
CONVENTIONAL BANKING AT MAYBANK KUALA KUBU BHARU**

NUR FAZREEN AMALIN BINTI MOHD FADRI @ MOHD BADRI

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ABSTRACT

The banking industry in Malaysia has experienced rapid globalization, leading to increased loans and transactions. Despite challenges like the US subprime crisis, Malaysian banks have grown due to strong domestic demand. In the 1990s, Bank Negara Malaysia implemented a dual banking system to encourage smaller banks to merge, indicating consolidation within the industry. Islamic banking, founded on Sharia principles, differs from conventional banking by prohibiting usury and activities that go against Islamic teachings. It emphasizes ethical principles and compliance with shariah regulations. This research paper aims to comparative analysis Islamic banking and conventional banking at Maybank Kuala Kubu Bharu, the objective of this study is to examine the efficiency of Islamic and Conventional banks at Maybank Kuala Kubu Bharu, to establish the level of awareness on the culture of Islamic Banking and to analyze the differences between Islamic banking and Conventional Banking. This study uses qualitative research using library, observation and interview methods. The procedure for selecting a sampling strategy, population and sample size, data collecting, and data analysis is also detailed to guarantee that the approach employed in this study is compelling. As a results, Maybank Kuala Kubu Bharu is one of the branches of a bank institution that offers dual systems banking, Islamic banking and conventional banking products. The bank must stabilize transaction efficiency and ensure compliance with Sharia through various processes. Islamic banking products are not only aimed at Muslims but also at non-Muslims. Malaysia, as an Islamic country and multi-racial society, needs to have awareness about Islamic banking and analyze the practice of implementing Islamic banking products in banks. Finally, understanding the differences between Islamic and conventional banking is crucial for Malaysians to navigate the complex financial landscape.

Keyword: Comparative, Islamic banking, Conventional banking, Maybank, Efficiency.

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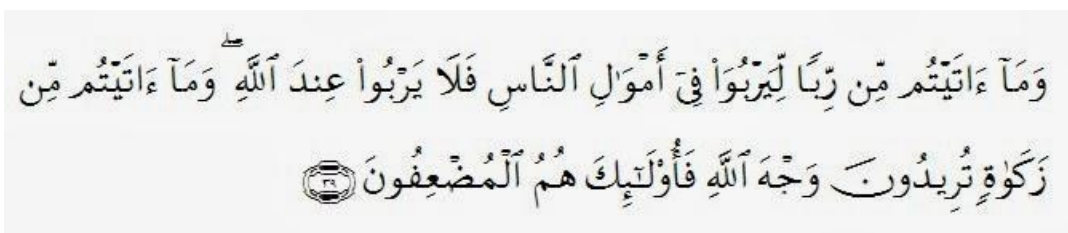
CHAPTER ONE

INTRODUCTION

1.1 Research Background

Malaysia's banking industry has undergone an accelerating globalisation process, which has resulted in a rapid development of business, as seen by the massive increase in the portfolio of loans and activities. Despite the detrimental impact of the US subprime crisis, Malaysia's banking industry helped banks expand into overseas markets due to strong principles and local demand. Bank Negara Malaysia (BNM) developed a dual system banking structure in the 1990s to encourage mergers of small-sized local banks is signalling the beginning of consolidation in Malaysia's banking sector (Rafik Harkati, 2020).

The Islamic banking system and the conventional banking system are two different approaches in carrying out financial activities. The Islamic banking system is based on the principles of Islamic Sharia as contained in the Quran and the Sunnah, while the conventional banking system operates based on secular principles and general law. Accordingly, the Islamic banking system and the conventional banking system have significant differences in several aspects. In short, the main principle in Islamic banking is the prohibition against usury and activities that are prohibited in Islam (Ibrahim, 2018). As written in the Qur'an:



(Ar-Rum, 39)

Meaning: And anything riba (extra) that you provide to enhance people's wealth is not considered an increase by God. And those who donate in the form of zakat with the intention of gaining God's pleasure are the ones who multiply (the benefit).

Moreover, the Islamic banking system can be defined as a banking system whose principles and practices are based on Islamic law or in Arabic is called Shariah. This means that all operations in the bank, whether money storage or financing, are carried out in accordance with Shariah laws or at least without violating the prohibitions that have been applied by Allah