



**THE IMPACT OF FINANCIAL RISKS ON THE PERFORMANCE OF  
ISLAMIC BANKS IN MALAYSIA**

**MOHD ADIB ADAM BIN PATARAI**

**2013255616**

**NUR FAKHIRA BINTI MOHAMAD FAUZI**

**2013233392**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**BANDARAYA MELAKA**

**JULY 2016**

**“DECLARATION OF ORIGINAL WORK”**



**BACHELOR OF BUSINESS ADMINISTRATION**

**WITH HONOURS (FINANCE)**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**“DECLARATION OF ORIGINAL WORK”**

We, Mohd Adib Adam Bin Patarai (I/C Number: 940516-12-5593) and Nur Fakhira Binti Mohamad Fauzi, (I/C Number: 940811-01-6752)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project- paper is the result of our independent work and investigation except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of our information have been specifically acknowledged.

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Date : \_\_\_\_\_ Date : \_\_\_\_\_

**LETTER OF TRANSMITTAL**

30 JUNE 2016

**PN KHAIRUNNISA BINTI ABD SAMAD**

Project Paper Advisor  
Faculty of Business Management  
Universiti Teknologi MARA  
110 OFF Jalan Hang Tuah,  
75300 Melaka Bandaraya Bersejarah

Dear Madam,

**SUBMISSION OF FINAL REPORT**

Enclosed here with is a thesis entitled “**The Impact of Financial Risks on the Performance of Islamic Banks in Malaysia**”. We hope this final year project paper successfully fulfil requirement and expectation from you and the faculty. Thank you very much for all guidance and supports we have received upon the completion of this final year project paper.

Yours sincerely,

.....  
**MOHD ADIB ADAM BIN PATARAI**  
**2013255616**  
**Bachelor of Business Administration**  
**(Hons) Finance**

.....  
**NUR FAKHIRA BINTI MOHAMAD**  
**FAUZI**  
**2013233392**  
**Bachelor of Business Administration**  
**(Hons) Finance**

## TABLE OF CONTENT

TITLE PAGE .....	i
DECLARATION OF ORIGINAL WORK .....	ii
LETTER OF TRANSMITTAL .....	iii
ACKNOWLEDGEMENT .....	ii
TABLE OF CONTENT .....	iii
LIST OF TABLES .....	vi
LIST OF FIGURE.....	vi
LIST OF ABBREVIATIONS.....	vi
ABSTRACT.....	vii
CHAPTER 1 .....	1
1.0 Background of the Study.....	1
1.1 Problem Statement .....	3
1.2 Research Objectives .....	4
1.3 Research Questions .....	5
1.4 Scope and Coverage of Study.....	5
1.5 Limitation of Study .....	6
1.6 Significant of the Study .....	7
1.7 Definition Terms .....	8
1.8 Conclusion.....	10
CHAPTER 2 .....	11
2.0 Introduction.....	11
2.1 Performance of Islamic Banks.....	11
2.2 Credit Risk.....	13

## **ABSTRACT**

The purpose of this study is to analyze the impact of financial on the performance of Islamic Banks in Malaysia from period. This study covers most of Islamic banking institutions in Malaysia which operated during period of 2008 to 2014. By using a panel data series, the data for 15 Islamic banks are taken from the Bank Scope database. There are several factors that have significantly effect on Islamic banks performance. One of them is financial risk. Financial risks that used in this study are credit risk, liquidity risk, operational risk, and capital risk. Overall result, the study finds significant relationship between capital risk, operational risk and financial performance. But there is no relationship between credit risk and liquidity risk towards performance of Islamic banks in Malaysia