



**THE PERFORMANCE OF ISLAMIC BANKING IN
COMPARISON WITH CONVENTIONAL BANKING
IN MALAYSIA FROM YEAR 2001 - 2005**

**FARA DILLA BT.MD. TAMRIN
2004338745**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

NOVEMBER 2006

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**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UITM, JOHOR**

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LETTER OF SUBMISSION

8 NOVEMBER 2006

The Programme Coordinator
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA
85009 Segamat
Johor.

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "THE PERFORMANCE OF ISLAMIC BANKING IN COMPARISON WITH CONVENTIONAL BANKING IN MALAYSIA FROM YEAR 2001 - 2005" to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA.

Thank you

Yours sincerely



FARA DILLA BT.MD. TAMRIN
2004338745
Bachelor of Business Administration (Hons) Finance

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

“DECLARATION OF ORIGINAL WORK”

I, FARA DILLA BT.MD. TAMRIN, (I/C Number: 820921-01-5172)

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 my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:

Date: 8 NOVEMBER 2006

ABSTRACT

This study evaluates an inter-bank performance of Islamic bank and conventional bank in term of its profitability, liquidity and debt. Bank Islam Malaysia Berhad (BIMB) will represent the Islamic bank while conventional banks will be presented by 5 anchor banks in Malaysia (Bumiputra Commerce Bank Berhad, Hong Leong Bank Berhad, Malayan Banking Berhad, RHB Berhad and Southern Bank Berhad). The period taken for this study was five years (year 2001 until 2005)

Methods used in this study are financial ratios and T-test (paired sample means). Financial ratios including profitability, liquidity and debt ratio can measure the banks' performances while T-test is used to determine their significance difference (5% significance level).

The study can conclude that the performance of Islamic bank is equal in comparison to the conventional banks if the period was taken from year 2001 until year 2004. Meanwhile, if year 2005 was included as the sample period, then the performance of Islamic bank is not equal to the performance of conventional banks