



اَوْنُوْرَسِيْتِي تِيْكْنُوْلُوْجِي مَارَا
UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

RESEARCH REPORT

**A STUDY ON DETERMINANTS OF TOTAL DEPOSITS IN ISLAMIC BANKS
IN MALAYSIA**

ADVISOR

MDM HARYANTI MD NOR

SECOND EXAMINER

PM DR AZMAN CHE OMAR

PREPARED BY

NUR FATIHAH BINTI MOHD NANI @ MUSTAFA

2009103591

BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA (UiTM)

KOTA BHARU CITY CAMPUS, KELANTAN

JUNE 2012

ACKNOWLEDGEMENTS

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

“In the name of Allah the Almighty, the Merciful, and the Beneficent”

Alhamdulillah, I am very grateful to Allah S.W.T for giving me the strength and opportunity to complete this project paper. Without His Grateful and Mercy, this project paper may not be completed.

Not to forget my special thanks goes to financial department in UiTM machang Pn Ruhani Bt Sulaiman, my entire practical trainee supervisor, and all financial department of UiTM staff who support and give opportunity providing me experience during the industrial attachment at UiTM for 5 months.

First and foremost, I would like to express my deepest gratitude to my respected advisor, **Mdm.Haryanti Md Nor** for her advices, comment, brilliant suggestions, knowledge and untiring supervision which beyond repayment in preparing this project paper. His constructive comments and advices have been valuable in making this project paper successfully. Not forgotten, my second examiner **PM Dr Azman Che Omar** that will give mark for me.

Last but not least, my heartiest appreciation goes to my family for their encouragement and moral support. Thank you to them from the bottom of my heart. My special thanks are also dedicated to my friends for giving me support, cooperation, idea contribution and theirs suggestion in order to complete this project paper. Once again to all of the above, I would like to thank you and may the Al-Mighty bless everybody.

Thank you.

ABSTRACT

In this study, a number of variables that could affect the total deposits in Islamic banks are examined using regression to show how they are related to total deposits in Islamic banks. The objectives of this study are to examine the relationship between total deposits in Islamic banks in Malaysia and base lending rate (BLR), inflation rate and money supply (M3). The others an objective is to identify which factors give a significant impact with total deposit at Islamic bank. The main resource of data for this case study is secondary data and the data was collected by quarterly from year 1999 until 2011. The result shows that a total deposit is more dependent on money supply (M3) rather than the base lending rate and inflation rate. The result also shows that the total deposits in Islamic banks have positive relationship with the base lending rate and money supply (M3) whereas the negative relationship was found between the inflation rate and total deposits In Islamic banks. Therefore, finding reveal independent variables which is money supply is significant with the total deposits in Islamic banks but insignificant with the base lending rate and inflation rate. The future researcher can used this study as the references and guideline, the others they can use another independent variables to continue this study such as interest rate, unemployment rate and etc. The futures researchers also can continue the study by investigate in others Asian country such as Singapore and so on. This information also will be benefits to the government and the banks. This is because this information can help them to increase their funds through the saving of money by the depositors and can achieve their future goals.

TABLES OF CONTENTS

Declaration of Original Work	Ii
Letter of Transmittal	Iii
Acknowledgements	Iv
Abstract	V
List of Diagram, Graphs and Tables	X
List of Appendices	Xi
List of Abbreviations	Xii

CHAPTER 1:INTRODUCTION

1.0. History of the banking system in Malaysia	1-4
1.1. Background of study	4-6
1.2. Problem statement	6-7
1.3. Research objective	7
1.4. Research question	7-8
1.5. Scope of study	8
1.6. Theoretical framework	9
1.7. Hypothesis	10
1.8. Significant of study	11
1.8.1. Researchers	11
1.8.2. Depositors	11-12
1.8.3. Mara Technology University (UiTM)	12
1.8.4. Islamic banks	12
1.9. Limitation of study	13
1.10. Definition of terms	13
1.10.1. Base lending rate (BLR)	13-14
1.10.2. Inflation rate (IR)	14
1.10.3. Money supply (M3)	14-15

CHAPTER 2: LITERITURE REVIEW

2.0. Introduction	16-18
2.1. Previous study	19
2.1.1. Base lending rate (BLR)	19
2.1.2. Inflation rate (IR)	19-20
2.1.3. Money supply (M3)	20-21

CHAPTER 3: METHODOLOGY AND DATA

3.0. Introduction	22
3.1. Research design	22-23
3.1.1. Purposes of study	23
3.1.2. Types of investigation	23
3.1.3. Unit analysis	23-24
3.1.4. Time horizon	24
3.2. Data collection	24
3.2.1. Primary data	24
3.2.2. Secondary data	24-25
3.2.2.1. Internet research	25
3.2.2.2. Business journal	25-26
3.2.2.3. Books and articles	26
3.3. Sampling data	26
3.4. Sources of data	27
3.5. Variables and measurement	27
3.5.1. Dependent variables	27
3.5.2. Independent variables	27-28