UNIVERSITI TEKNOLOGI MARA

FACTORS AFFECTING CREDIT RISK OF ISLAMIC BANKS IN MALAYSIA

ANAS BIN SASTRA AMIJAYA

2016650732

Final Year Project Paper submitted in fulfillment

of the requirements for the degree of

Bachelor of Business Administration

(Finance)

Faculty of Business and Management

June 2018

AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student : Anas bin Sastra Amijaya

Student I.D. No. : 2016650732

Programme : Bachelor of Business and Administration (Hons) Finance.

Faculty : Business and Management

Thesis : Factors Affecting Credit Risk of Islamic Banks in Malaysia.

Signature of Student : ....

Date : June 2018

ABSTRACT

The aim of this research paper is to identify the factors that cause credit risk of Islamic banks in Malaysia. This study was use a data that obtain from vary resources which significant yearly from 2009 to 2016 and it utilizes the suitable model to provide an evidences on Islamic banks credit risk in Malaysia. A comparison of these factors between selected Islamic banks in Malaysia is highlighted. Main objective of this research is to identify what is the factors that affect the level of credit risk of Islamic banks in Malaysia. In this study few variables being used to determine the credit risk faced by Islamic banks such as financial expansion, financing quality, capital buffer, management efficiency and net interest margin. Research methodology that being used to find the significant impact of independent variables toward dependent variables is Quantitative Data Analysis by Pooled Ordinary Least Square Regression and other test. The empirical results shown that few variables do significantly influence the credit risk of Islamic banks in Malaysia. The findings resulted that financing quality and net interest margin have a positive significant impact towards the credit risk of Islamic Banks. The findings provide supported evidence to the existing literature on credit risk specifically Islamic banks credit risk.

ACKNOWLEDGEMENT

TABLE OF CONTENT