

**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**

Alhamdulillah, praise to the Almighty Allah s.w.t., I am very grateful to be able to prepare this research successfully. I would never have been able to complete the research without the guidance from the supervisor, lecturer, help from friends and support from the family.

I would like to express the highest appreciation and thankfulness to my supervisor, Sir Mohd Hakimi bin Harman. He is the one that always give opinion and guide me to complete this thesis and I was very thankful for his patience, and especially for his excellent guidance in providing useful advice to help the researcher.

Besides that, I also want to express my thank you to Puan Assmaliza Ahmad, my internship supervisor at MBSB Bank Kajang who always shared opinions and knowledge with me during my internship. I also would like to acknowledge all other parties that have been helping in preparation of this research either directly or indirectly.

Last but not least, special thanks to the researcher's parents and family who always support especially morally and financially not just for the period of this research but also for the whole years of study. Without their encouragement, the researcher would not have been able to finish this research paper.

## TABLE OF CONTENT

<b>AUTHOR'S DECLARATION</b>	
<b>ABSTRACT</b>	<b>i</b>
<b>ACKNOWLEDGEMENT</b>	<b>ii</b>
<b>TABLE OF CONTENT</b>	<b>iii</b>
<b>LIST OF FIGURES</b>	<b>viii</b>
<b>LIST OF SYMBOLS</b>	<b>ix</b>
<b>LIST OF ABBREVIATIONS</b>	<b>x</b>
<b>CHAPTER ONE: INTRODUCTION</b>	<b>1</b>
1.1 Introduction	1
1.2 Research Background	2
1.3 Problem Statement	2
1.4 Research Questions	3
1.5 Research Objectives	3
1.6 Significance of the Study	4
1.6.1 To the industry	4
1.6.2 To the researcher	4
1.7 Scope of the Study	5
1.8 Limitation of the Study	5
1.9 Definition of Key Terms	5
1.9.1 Credit Risk	6