



A FRONTIER ANALYSIS BETWEEN FULL-FLEDGED VERSUS
ISLAMIC WINDOW BANKS: EVIDENCE FROM MALAYSIA

MURSIDI BIN SAHIPAH
2013853842

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SABAH

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ABSTRACT

This paper discusses the performance of local bank in Malaysia. It is well notable that numerous researchers have discovered lots of determinants to measure the bank performance. There is a plethora study to identify the key determinant factors that could measure the performance of the banking industry. However, those findings show mixed results which lead us to conduct this study and contributing new insight to the body of knowledge. Thus, we endeavour to investigate the relation between spread as a proxy to bank performance with profitability, liquidity and leverage ratio and the comparison between Full-Fledged and Islamic Windows bank in Malaysia. The data were collected from Bernama System and Solution Advisor (BESSAR) database at University Malaysia Sabah (UMS) investment laboratory. We conducted a panel data analysis by assessing 10 banks including local and Islamic bank for the period of 2008 to 2012. In line with the purpose of this research, we estimated a Random Effect, Fixed Effect and Pooled OLS and find that the regressions result is based on Random Effect Model. Based on the result, we find that profitability, liquidity and leverage ratio are not significantly related towards bank performance. Nest, we find that Full-Fledged bank performed better with respect of their profitability while Islamic Windows performed better in Liquidity.

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