



**ISLAMIC VS CONVENTIONAL BANKS'
STABILITY IN MALAYSIA**

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ABSTRACT

The objective of this paper is to assess whether there is any differences in the level of financial stability of Islamic banks as compared to commercial banks using Non-performing loan (NPL) as proxies for financial stability. This paper uses secondary data and studying the individual time-series of sample of Malaysia Islamic and conventional banks. The period chosen is the 1st quarter of year 2007 to 3rd quarter 2014.

Keywords: Islamic banks; Commercial banks; Stability; Non-performing loan (NPL); Time series data.

CHAPTER 1: INTRODUCTION

1.0 BACKGROUND OF STUDY

This is empirical study which compares the stability between Islamic and Conventional bank for the period 2007-2014 by using financial ratio analysis and significant test. This chapter will discuss briefly on the background of the study, problem statement, research objectives and research questions, significant of the study, scope of study and summary for this chapter.

In this study, there will be provide an explanation of the dependent and independent variables. Include discover the relationship of the dependent and independent variables. Specifically, it is to examine the relationship of the selected variables to the stability of banks. Dependent variable in our study is the banks' stability and the independent variables are the nature of a banks and macroeconomics.

1.1 PROBLEM STATEMENT

From the development of Islamic bank in Malaysia, it is imperative for banks to play their role effectively and efficiently to contribute to the overall stability of the financial system, and the growth and development of the economy. The issues that arise are although the development of Islamic bank is satisfactory in the Malaysian economy, the stability question remains. Liberalization effort and competition among Islamic financial institutions players raises the issues of the ability of the smaller player to survive. Although consideration is given in the volatile financial environment, would Islamic bank be able to withstand financial crisis. These raise the need to undertake this research to examine this stability issues.