

LETTER OF SUBMISSION

29 APRIL 2010

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Dear Madam,

SUBMISSION OF PROJECT PAPER (FIN 667)

With reference of above matter, I am student BBA (Hons.) Finance would like to submit project paper entitled "A Study on Depositors' Behaviors on Malaysian Islamic Banking System" to fulfill the requirement as needed by the Faculty Business Administration and Management

Thank you.

Yours faithfully,

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Wassalam.

Abstract

The objective of this study is to investigate the impact of selected economic variables on deposits level in the Islamic banking system in Malaysia. Data obtained from 2002 to 2009. The results highlight the influential role of base lending rate (BLR), consumer price index (CPI), money supply (M3) and gross domestic product (GDP) in determining the level of saving in the Islamic banks. Furthermore, the study finds which variables is the most influence factor that effect depositors' behaviour. Both long and short-run relationships between these variables are measured by using advanced time series econometrics. These techniques are co-integration (Johansen Jesilius) and error correction framework (VECM), which are conducted within the vector autoregression framework. By applying JJ and VECM, gross domestic product is the most influence factors that determine level of deposit in Islamic banking system. The findings of this study have important implication on the risk management practices in the Islamic banks in Malaysia.