



ISLAMIC BANK CREDIT RISK

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**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration (Hons) Islamic Banking**

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SEGAMAT, JOHOR.**

DECEMBER 2016

ACKNOWLEDGEMENT

First of all, I am very grateful to be able to prepare this research successfully. Without the guidance, help and support from the lecturer, friends and family, I would never been able to finish and complete this research. I am very thankful to Allah for the strength that has been given to me through the preparation of this research.

I also want to express my highest thankfulness and appreciation to my advisor, DrFaridahNajunaBintiMisman for her guidance, caring and patience.

Also a big thank to my BM249 members who always shared opinions, experience and help me throughout this research. I also would like to acknowledge to the parties that help me in completing and preparing this research either in directly and indirectly.

Last but not least, a very special thanks for my parent and family who always give me a moral support and advices. Without their support and advices, I would not been able to finish this research completely.

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ABSTRACT

By investigating credit risk in banking sector, it is not only important for bank's management but it is also important for regulatory authorities. There are several factors that may influence the credit risk of bank. The purpose of this research is to investigate the determinants of credit risk in the case of Malaysia Islamic banks. The objective of this research is to determine the factors that influence credit risk of Islamic bank and to study whether there are significant relationship between the factors towards Islamic bank credit risk itself. The dependent variables is credit risk of Islamic bank and for independent variables are financing expansion, financing quality, capital buffer, capital ratio, management efficiency, log of total assets and net interest margin. This study will be carry by using secondary data that will be collected through BankScope. The data will be using a yearly bank level data of Islamic bank in Malaysia from 2009 to 2015 of 16 banks. From the regression analysis result it shows that financing expansion, financing quality, capital buffer, log of total asset and net interest margin variables do significantly influence credit risk of Malaysia Islamic banks while capital ratio and management efficiency, the finding shows that there are no significant influence towards the credit risk of Malaysia Islamic banks

CHAPTER ONE : INTRODUCTION

1.1 Introduction

This study is to determine the factor that influencing the Islamic bank credit risk in Malaysia. This chapter will be discussing on the background of the study, problem statement, research questions, research objectives, scope of study, significant of study, limitation of study, definition of terms and also summary on this chapter.

In Islamic banking, Malaysia are playing an iconic role, has been a pioneer at the start and a leader in the global arena at present. Since the first Islamic bank was established in the country in 1983, Malaysia has come a long way. Currently, five wholesome Islamic banks, local and foreign, and eleven Islamic subsidiary banks owned by conventional banks, local and foreign. As everyone known, Islamic banking operations are driven by the *shari'ah* which defines the nature and character of the deposits and financing that been provided to its customer.

1.2 Overview and Background of The Study

The topic that will be discuss in this study is Islamic Bank credit risk and the data will be using a yearly bank level data of Islamic bank in Malaysia from 2009 to 2015 of 16 banks. It starts with introduction for chapter 1 that consists of background of the study, problem statement, research objective, scope and limitations and significant of the study. Next is chapter two that is literature review. In this chapter it will be cover all literature review regarding the dependent and independent variable. Chapter three is methodology.