
**A STUDY OF LIQUIDITY RISK MANGAMENT: A COMPARATIVE
STUDY BETWEEN ISLAMIC AND CONVENTIONAL BANKS IN
MALAYSIA**

By

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ABSTRACT

Liquidity risk may arise as a result of financial intermediaries, support and facilitation of providing deposit from surplus sector to deficit sector. Furthermore, Ismail (2010) defined liquidity risk is the risk arising from the customers withdrawal. Moreover, in the asset side Islamic banks mainly focus on long-term investment i.e. sukuk and project financing, while on the liability side Islamic banks main funding is from short-term customer deposits. The gap shows the difference between assets and liabilities side. Therefore, Alvi (2007) argued that Islamic banks have mismatch risk than conventional banks. This study investigates the significance of size of the banks networking capital, return on equity, capital adequacy and return on assets, with liquidity risk management in five conventional and five Islamic banks in Malaysia. The study is based on secondary data, that covers a period of five years, i.e. 2006-2010. The study found negative and significant relationship of size of the bank and net working capital to net assets with liquidity risk in Model I (Conventional banks) and insignificant in model II (Islamic banks). In addition capital adequacy ratio in conventional banks is significant at 1% level, while ROA in Islamic banks is found to be negative and significant at 5% level. In addition ROE found positive and significance in Model II at 5% significance level although positive and insignificant in Model I.

ABSTRAK

Risiko kecairan boleh disebabkan oleh beberapa faktor seperti pengantara kewangan, sokongan dan penyediaan deposit daripada sektor lebihan kepada sektor defisit. Selain itu, Ismail (2010) mentakrifkan risiko kecairan sebagai risiko yang timbul daripada pengeluaran pelanggan. Bahagian asset di bank-bank Islam terutamanya menumpukan pada pelaburan jangka panjang seperti sukuk dalam pembiayaan projek, manakala bahagian liability bank-bank Islam pembiayaan utama daripada deposit pengguna jangka pendek. Terdapat jurang antara sisi asset dan sisi liability. Oleh itu, Alvi (2007) berhujah bahawa bank-bank Islam mempunyai risiko ketidak padanan daripada bank konvensional. Kajian ini menyelidiki kepentingan saiz modal rangkaian bank, pulangan keatas ekuiti, kecukupan modal dan pulangan keatas asset, dengan pengurusan risiko kecairan dalam lima (5) konvensional dan lima (5) Islamic Bank di Malaysia. Kajian ini berdasarkan kepada data sekunder, yang meliputi tempoh lima (5) tahun iaitu 2006-2010. Kajian ini mendapati hubungan yang negatif dan signifikan saiz bank dan modal kerja bersih untuk aset bersih dengan kecairan dalam Model I (bank-bank konvensional) dan tidak signifikan dalam Model II (bank-bank Islam). Di samping itu, nisbah kecukupan modal dalam bank konvensional adalah signifikan pada tahap 1%, manakala ROA dalam bank-bank Islam didapati negatif dan signifikan pada tahap 5%. Sementara itu ROE didapati positif dan signifikan dalam Model II pada aras keertian 5% walaupun positif dan tidak penting dalam Model I.

TABLE OF CONTENTS

Title page	i
Abstract	ii
Declaration	v
Acknowledgement	vi
Table of Content	vii
List of Tables	x
List of Figures	xi

CHAPTER 1: INTRODUCTION

1.1	Background of the Study	1
1.2	Problem Statement	8
1.3	Research Objective	9
1.4	Research Question	9
1.5	Statement of Hypothesis	10
1.6	Scope of Study	10
1.7	Significance of Study	10
1.8	Research organization	11

CHAPTER 2: LITERATURE REVIEW

2.1	Definitions	13
2.2	Risk in Banking	14
2.3	Risk Management process	16
2.4	Risk Faced by Islamic and Conventional Banks	20
	2.4.1 Risk Specific to Islamic Banks	22
	2.4.2 Risk Faced by Islamic Banking Products	23
2.5	Liquidity Risk	24
	2.5.1 Liquidity Risk Management in Islamic Bank	25
	2.5.2 Source of Liquidity Risk Management	28
2.6	How to Manage or Mitigate Liquidity Risk	35
	2.6.1 Commodity Murabaha	35
	2.6.2 Islamic Money Market	37
	2.6.2.1 Mudharabah Interbank Investment	37
	2.6.2.2 Wadiah Acceptance	38
	2.6.2.3 Government Investment Issues	39
	2.6.2.4 Bank Negara Monetary Notes-i (BNM-i)	40
	2.6.2.5 Sell and Buy Back Agreement (SBBA)	40
	2.6.2.6 Cagamas Mudharabah Bonds (SMC)	40
	2.6.2.7 When Issue (WI)	41
	2.6.2.8 Islamic Accepted Bills (IAB)	41
	2.6.2.9 Islamic Negotiable Instruments (INI)	42
	2.6.2.10 Islamic Private Debt Securities	42
	2.6.2.11 Ar Rahn Agreement-i (RA-i)	43
	2.6.3 Role of International Islamic Financial Market	43
	2.6.4 Role of Sukuk in Islamic Banks Liquidity	44
	2.6.4.1 Sukuk Bank Negara Ijarah (SBNM)	44

CHAPTER 3: METHODOLOGY

3.1 Data Collection	46
3.2 Sample	46
3.3 Research Model	47
3.3.1 Dependent and Independent Variables	49
3.4 Data Interpretation Method	50
3.4.1 Ratio Analysis	50
3.4.2 Statistical Analysis	51

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Ratio Interpretation	54
4.2 Hypotheses Testing	64
4.3 Statistical Results and Tests	65

CHAPTER 5: CONCLUSION AND RECOMMENDATION

5.1 Conclusion and Summary	70
5.2 Recommendation	71
5.3 Suggestion for future Research	72
5.4 Limitations of study	73

REFERENCES

APPENDICES

APPENDIX A

81

APPENDIX B

82

APPENDIX C

85

APPENDIX D

87

APPENDIX E

89