

DISSERTATION FOR MASTER OF ISLAMIC FINANCE AND BANKING

(MIFB 6033)

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**Comparative Study of Credit Risk Performance in Commercial  
and Islamic Banks in Malaysia**

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## Abstract:

This paper examines the comparative performance of credit risk of Islamic banks (IB's) and Commercial banks (CB's) in Malaysia. Credit risk of both banking sectors is depicted by three performance measures; EQTA, EQL and IMLGL. Our study has shown a better equity to net loan ratio (EQL) to be significantly better in Islamic banks which depicts that Islamic banking sector is more proficient in absorbing loan losses as compared to commercial banking sector. Equity to assets ratio (EQTA) of Islamic and commercial banks has show no significant difference which means that there no significant difference in capacity of absorbing asset losses between Islamic banks and conventional banks. However, the total impaired loans to gross loans ratio (IMLGL) are significantly weaker in Islamic banks which depicts that conventional banking sector is more proficient in absorbing loan losses as compared to Islamic banking sector

## Abstrak:

Kertas ini mengkaji perbandingan prestasi risiko kredit bank-bank Islam (BI) dan bank-bank komersial (BK) di Malaysia. Risiko kredit sektor perbankan digambarkan oleh tiga langkah prestasi; EQTA, EQL dan IMLGL. Kajian kami telah menunjukkan ekuiti yang lebih baik kepada nisbah pinjaman bersih (EQL) untuk menjadi jauh lebih baik di bank-bank Islam yang menggambarkan bahawa sektor perbankan Islam lebih mahir di dalam menyerap kerugian pinjaman berbanding dengan sektor perbankan KOMERSIAL. Ekuiti kepada nisbah aset (EQTA) bank-bank Islam dan komersial telah menunjukkan tiada perbezaan yang signifikan yang bermaksud bahawa tidak ada perbezaan yang signifikan di dalam keupayaan menyerap kerugian aset antara bank-bank Islam dan bank-bank konvensional. Walau bagaimanapun, jumlah pinjaman terjejas kepada nisbah pinjaman kasar (IMLGL) adalah jauh lebih lemah di dalam bank-bank Islam yang menggambarkan bahawa sektor perbankan konvensional adalah lebih mahir dalam menyerap kerugian pinjaman berbanding dengan sektor perbankan Islam.

## TABLE OF CONTENTS

No.	Title	Page
	<b>Cover Page</b>	<b>1</b>
	<b>Approval Page</b>	<b>2</b>
	<b>Certificate of Originality</b>	<b>3</b>
	<b>Acknowledgement</b>	<b>4</b>
	<b>Abstract</b>	<b>5</b>
	<b>Table of Contents</b>	<b>7</b>
<b>Chapter.1.</b>	<b>Introduction</b>	<b>8</b>
	1.1. Islamic Vs. Conventional - A Theroretical Prospective	9
	1.2. An overview of developments in Malaysian Banking Industry	19
	1.3. Credit Risk in Financial Institutions	23
	1.4. Problem Statement	34
	1.5. Significance of Study	35
	1.6. Purpose of Study	<b>36</b>
	1.7. Research Questions	<b>38</b>
	1.8. Research Hypothesis	38
	1.9. Limitations of the Study	40
	1.10. Thesis Organisation	42
<b>Chapter.2.</b>	<b>Litrature Review</b>	<b>43</b>
<b>Chapter.3.</b>	<b>Research Methadology and Data Source</b>	<b>55</b>
	3.1. Measures of Performance	59
	3.2. Data Samples for Study	59
	3.3 Participating Institutions	66
<b>Chapter.4.</b>	<b>Data Collection and Analysis</b>	<b>62</b>
	4.1. Comparative Study of EQL	63
	4.2. Comparative Study of EQTA	<b>65</b>
	4.3. Comparative Study of IMLGL	<b>67</b>
	4.4. Conclusion and Remarks	<b>69</b>
	4.5 Recommendations	72
	<b>References</b>	<b>74</b>
	<b>Glossary of Terms</b>	<b>78</b>
	<b>Bibilography</b>	79
	<b>Appendix</b>	<b>81</b>
	Appendix A - Bank Data and Analysis for EQL	81
	Appendix B - Bank Data and Analysis for EQTA	84
	Appendix C - Bank Data and Analysis for IMLGL	86
	Appendix D - Mean of three yearly ratio's	88