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VOLUME 1

INVESTIGATIONS ON PURE MATHEMATICS, FINANCE MATHEMATICS AND OPTICS

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$$\varphi_1(x, y, z) = z$$

$$\pi_1 = \begin{pmatrix} x & y & z \\ y & z & x \end{pmatrix}$$

$$z' = x^2 + y^2 + z^2 + 2yz$$

$$\pi_1 \vee_1 \pi_1 = \vee_{17}$$



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Investigations on Pure Mathematics, Finance Mathematics and Optics

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FINANCIAL PERFORMANCE OF' ISLAMIC BANKING AND CONVENTIONAL BANKING IN MALAYSIA

Nurhafizah Yaakob
Assist. Prof. Dr. Mohd Aminul Islam

Abstract. *This study analyses the financial performance of Islamic banking and conventional banking in Malaysia. Two banks for both types of banking have been selected in this research. It uses seven ratio analyses to examine comparative performance based on the annual data from 2004 until 2008. The comparison of financial ratios have been analyzed and discussed mainly in terms of profitability, liquidity and solvency points of view. This study finds that there is a big difference of financial performance between Islamic banking and conventional banking in Malaysia. The results show that the conventional banking performs better than the Islamic banking in most financial ratios.*

1 Data and Research Methodology

1.1 Data Collection

This study focused on analyzing financial performance of selected Islamic banks and conventional banks in Malaysia. The selected Islamic banks are Bank Islam Malaysia Berhad (BIMB) and Bank Muamalat Malaysia Berhad (BMMB) with the reason that these banks are type of commercial banks. On the other hand, two conventional banks that have been selected are Public Bank Berhad and CIMB Bank Berhad. These two types of banks are considered to follow these two criteria:

- i. Data of financial performance collected are within five years, from 2004 to 2008.
- ii. All banks are categorized as commercial banks.

Table 1.1 shows the complete list of selected banks in this study. All data regarding financial performance of those banks had been collected from the annual report in their website. Seven ratio analyses have been examined to analyze the financial performance of all banks.

Table 1.1: List of selected Islamic Banks and Conventional Banks

Type of Bank	Bank Name
Islamic Bank	1. Bank Islam Malaysia Berhad (BIMB) 2. Bank Muamalat Malaysia Berhad (BMMB)
Conventional Bank	1. Public Bank Berhad 2. CIMB Bank Berhad

Microsoft Excel has been used in this study to calculate all seven ratios of financial performance of all banks. Besides, the comparison has also been made by observation of the value obtained from the calculation.

1.2 Method or Analysis