ABSTRACT

The birth of Bank Islam Malaysia Berhad (BIMB) in 1983 symbolized the Malaysian Government's initiative in establishing an Islamic banking system. After 17 years of operation in a market mainly dominated by conventional banks, BIMB has still unable to achieve its target of capturing a significant portion of this market.

In this paper, the writer tries to observe the main differences between the conventional and Islamic banking system Malaysia in relation to loan repayments. Through this observation, strengths and weaknesses of the Islamic banking system can be identified. Recommendations can be made to help enhancing BIMB's performance in achieving the target market share.

It is also an attempt to clarify the differences between the two banking systems thus eliminating the perception that both systems are the same. In addition, it is also an attempt to clarify the common perception that financing through the Islamic banking system is more expensive than through conventional banks.