DOES THE ISLAMIC BANKS’ LENDING STRUCTURE MATTER?

Aisyah Abdul Rahman¹
Universiti Kebangsaan Malaysia

Mansor H. Ibrahim²
Universiti Putra Malaysia

Ahamed Kameel Mydin Meera³
International Islamic University Malaysia

ABSTRACT

This study investigates the impact of lending structure on the Islamic banks’ insolvency risk exposure by analysing four lending structure instruments; 1) the ratio of real estate lending to total asset; 2) lending concentration; 3) short term lending portfolio stability; and 4) medium term lending portfolio stability. Our findings indicate that an increase in real estate lending could decrease the Islamic banks’ insolvency risk exposure. Similarly, our results for lending concentration show that loan specialisation could reduce Islamic banks’ insolvency risk exposure. Hence, policy makers as well as practitioners may react accordingly to this finding.

¹ Corresponding author. Lecturer in Faculty of Economics and Business, Universiti Kebangsaan Malaysia, 43600, Bangi, Selangor. eychah@ukm.my
² Professor in Faculty of Economics and Business, Universiti Putra Malaysia, 43400, Serdang, Selangor.
³ Professor in Institute of Islamic Banking and Finance, International Islamic University Malaysia. No. 205A, Jalan Damansara, Damansara Heights, 50480 Kuala Lumpur, Malaysia.