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DEPOSIT FUNDING OF ISLAMIC
AND CONVENTIONAL BANKS IN MALAYSIA

Banks have very diverse structures of funding, which has not changed significantly over the years. Forms of funding used by modern banks include: capital, deposits and wholesale funding. Deposits, especially retail ones constitute the main source of bank funding. Banks' customers invest their money in the form of deposits usually in order to receive interest. What also attracts customers to deposits is the security of investment. Banks deposits come with a very low default risk, since they are usually protected under deposit guarantee schemes.

However it should be noted that not all banks can offer deposits characterised by the above-mentioned features. In the 1970s, an alternative banking system emerged in which financial instruments, including deposits, are structured in a different, unique way. A distinctive feature of Islamic banks is the obligation to conduct operations in accordance with the principles of sharia, which is the religious law of Muslims. The basic sharia principle applied by Islamic financial institutions is the prohibition of usury (arab. *riba*), which is understood as any sort of increase over the principal amount. The prohibition of *riba* has huge implications on operations conducted by Islamic banks since none of them can be based on interest. This also applies to deposits. It should be noted that Islamic scholars are generally of the opinion that saving is desirable, or even necessary, for the economic and social development of Muslim societies. However, mobilisation of savings in the Islamic banking system is much more challenging than in the conventional one. Deposits cannot be based on interest rate since this is contrary to sharia, but they still should bring certain profits so as to promote savings. The main purpose of the article is to characterise Islamic banks' deposit funding and to compare the scope of usage of deposits in Islamic and conventional banks via the example of Malaysia. In the study qualitative, as well as quantitative research methods have been employed.

Sources of bank funding with the special emphasis on deposits

Capital, wholesale funding and deposits are the main forms of funding of modern banks. There are three main components of bank capital. These are: equity, non-distributed funds and reserves for risks associated with the bank's activities. Equity is essential for financing and securing the bank's operations. It has many functions. The most important of them are:[1]

– the founder's function – in order to be able to run banking activities it is required to have adequate capital,
– the regulatory function – top-down norms and limits relating to the capital held by the bank are aimed at preventing a disproportionate increase in the scale of operations of the bank and taking on too much risk by the bank,
– the financing function – fixed assets and long-term investments are financed with equity,
– the confidence function – the amount of equity is a measure of the bank's solidity,
– the owner's function – equity determines the owners' share in the bank and makes it possible to divide the profit or loss incurred among the owners,
– the loss-absorbing function – equity is security against the bank's insolvency, it is a kind of buffer absorbing possible unexpected losses, resulting from credit risk, operational risk and other types of risks,
– the information function – the size of equity, also in comparison with other indicators, proves the scale and development potential of the bank and its exposure to risk.

Wholesale funding is provided by institutional investors such as investment and pension funds, insurers, money market funds and other banks. The following types of wholesale funds can be distinguished:[2]

– short-term unsecured funds including interbank loans, commercial papers (CP), wholesale certificates of deposits (CD),
– short-term secured funds, which include repurchase agreements (repo), swaps and assets-backed commercial papers,
– long-term funds such as bonds and various forms of securitisation (e.g. covered bonds and private-label mortgage-backed securities).

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[1] J. Barburski, *Kapitały własne jako podstawa bezpieczeństwa działalności gospodarczej na przykładzie przedsiębiorstw WIG20*, "Finanse, Rynki Finansowe, Ubezpieczenia" 2014, nr 67, p. 123; P. Stodulny, *Szacowanie zapotrzebowania na kapitał ze strony banków spółdzielczych*, "Annales Universitatis Mariae Curie-Skłodowska Lublin – Polonia. Sectio H" 2010, vol. XLIV, nr 2, p. 342. For more on bank equity, see also: M. Iwanicz-Drozdowska, W.L. Jaworski, A. Szelągowska, Z. Zawadzka, *Bankowość. Instytucje, operacje, zarządzanie*, Warszawa 2017, pp. 185–190.

[2] International Monetary Fund, *Global Financial Stability Report*, New York 2013, p. 108.

Deposits, especially retail ones, constitute the main source of bank funding. It should be also noted that raising funds through deposits is exclusive to banks. Non-financial institutions cannot raise funds in this way. Deposits can be defined as amounts which are owed to creditors, which are not negotiable and thus not marketable. Deposits are 'non-negotiable' in the sense that there are restrictions on the transfer of their legal ownership. So they cannot be marketed or traded because of the absence of an organised market. Non-negotiable deposits which become negotiable and can be traded on secondary markets should be no longer classified as deposits but as debt securities.[3] Owing to the fact that deposits are non-negotiable, they are considered to be a stable source of funding. They are also the source of funding which is the most reliable and the least costly.[4] It should be stressed that the market for deposits is segmented from that of equity. While in most countries people have bank accounts, not many of them invest directly or indirectly in stocks, bonds and other financial assets. This lack of participation in markets for riskier financial assets has even gained its own name, which is the participation puzzle.[5]

There can be two main kinds of deposits distinguished: demand deposits and term deposits.

Deposits paid on demand are payable by the bank on demand by the account-holder. They typically carry no interest. On the other hand, in the case of term deposits, also called time deposits, funds are deposited for a certain period. The account holder receives interest payment for keeping money for this period at the bank. When this period ends, a depositor can either withdraw the funds or roll-over a deposit at a new or the same interest rate.

Deposits, especially demand ones, which can be withdrawn at any time, create a risk of a panic-based bank run. Such a run occurs when depositors rush to withdraw their funds from bank accounts, believing that other investors are going to do the same and the bank will fail. As a result, the bank has to liquidate its long-term investments at a loss, which indeed leads to the bank's collapse.[6] But at the same time the higher share of demand deposits the bank has, the lower its funding costs.[7] Thus while it is important for the bank to attract deposits, it also necessary to keep the proper amount of equity, the importance of which was indicated at the beginning of this section.

[3]   European Central Bank, *Manual on MFI Balance Sheet Statistics*, Frankfurt am Main, April 2012, p. 66.

[4]   A. Motylska-Kuźma, B. Nowosielska, J. Wieprow, *Decyzje finansowe w przedsiębiorstwie bankowym*, Warszawa 2016, p. 37.

[5]   F. Allen, E. Carletti, R. Marquez, *Deposits and Bank Capital Structure*, "Journal of Financial Economics" 2015, Vol. 118, Issue 3, p. 602.

[6]   I. Goldstein, A. Pauzner, *Demand-deposit Contracts and the Probability of Bank Runs*, "The Journal of Finance" 2005, Vol. LX, No. 3, pp. 1293–1294.

[7]   For more on the managing of the bank's liabilities see: *Bankowość*, red. M. Zaleska, Warszawa 2013, pp. 227–234.

Banking in Malaysia

Malaysia belongs to those countries where two financial systems co-exist: the conventional one and the Islamic one. The first system does not differ from the systems which function in the majority of countries of the world. The second one has been developing rapidly since 1970s, mainly in Muslim countries. The Islamic financial system is a very specific one, since all the institutions operating within that system must follow principles of sharia. Sharia (in Arabic 'the way' or 'path to a watering place') – Islamic religious law – can be defined as 'a set of norms, values and laws that governs the Islamic way of life.'[8] The main principles of sharia include prohibition of *riba*, avoidance of uncertainty (*gharar*), prohibition of speculation (*maysir*), prohibition of trading in illegal (*haram)* products (e.g. alcohol, pork, pornography, tobacco) and obligation to pay religious tax (*zakat*). The basic principle applied by Islamic financial institutions is the prohibition of interest (*riba*). According to most Islamic economists, it is any sort of increase over the principal amount.[9] The prohibition of *riba* means that Islamic banks must construct all their instruments, whether on the asset or liabilities side of the balance sheet, in such a way that they are not based on interest.

In Malaysia, the origins of Islamic finance can be traced back to 1963, when the Malaysia Muslim Pilgrims Savings Corporation was established, which was a savings fund for Muslims planning to perform the religious duty of pilgrimage (*hajj*). Within twenty years, the fund (known as Tabung Hajj) received widespread recognition as a successful Islamic investment company in Malaysia. Its success encouraged the Malaysian government to establish in 1983 the first fully-fledged Islamic commercial bank in the country, the Bank Islam Malaysia Berhad (BIMB).[10] The creation of the bank was possible owing to the introduction of the Islamic Banking Act (IBA) of 1983, which provided the Malaysian central bank with powers to regulate and supervise Islamic banks, in a similar way to other banks operating in Malaysia. In a very short time, BIMB gained success, proving that Islamic banking services were needed in the country.[11]

Thanks to the support that Islamic banking has been receiving from the Malaysian government, which undertook several initiatives to promote this sector and

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[8] *Islamic Financial System. Principles and Operations*, ed. A.W. Dusuki, International Shari'ah Research Academy of Islamic Finance, Kuala Lumpur 2011, p. 150.

[9] S.M. Hasanuz Zaman, *Conceptual Foundations of Riba in Qur'an, Hadith and Fiqh*, "Journal of Islamic Banking and Finance" 2001, Vol. 18, No. 3–4, pp. 17, 18.

[10] W.S. Hegazy, *Contemporary Islamic Finance: From Socioeconomic Idealism to Pure Legalism*, Chicago Journal of International Law" 2007, Vol. 7, No. 2, p. 589.

[11] I. Sobol, *Islamic Banking – the Case of Malaysia*, "Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu" 2014, nr 370, p. 244.

implemented some fiscal regulations favourable to Islamic banking, Malaysia currently is one of the leaders of Islamic banking in the world. At the end of June 2018, the assets of Islamic banks operating in this country accounted for 10.8% of total global Islamic banking assets. Only banks in Iran and the Kingdom of Saudi Arabia had larger shares, 32.1% and 20.2%%, respectively (Figure 1).
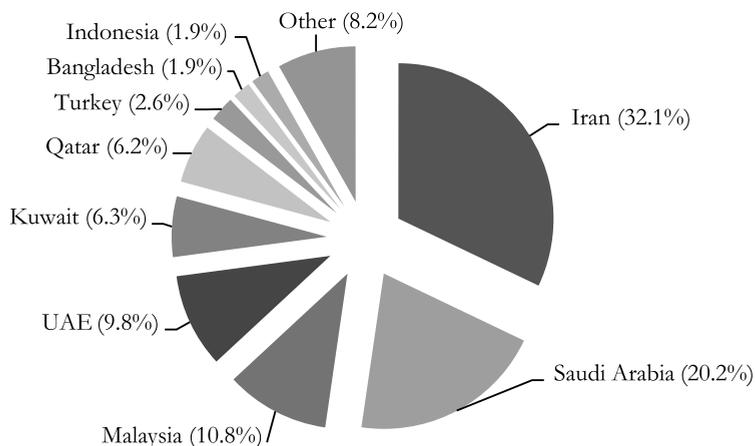

Figure 1. Share of Global Islamic Banking Assets

Source: Islamic Financial Services Board, *Islamic Financial Services Industry Stability Report 2019*, Kuala Lumpur 2019, p. 12.

Islamic deposits in the Malaysian banking sector

As was already indicated, instruments offered by Islamic banks cannot be based on interest, since interest is forbidden by sharia. This also applies to deposits. While demand deposits usually carry no interest, term deposits should bring a certain rate of return to depositors. The two most common Islamic term deposits are *mudaraba* deposits and deposits based on the structure of *tawarruq*.

Initially, a *mudaraba* contract was only an instrument of finance. In the case of this financial tool one party of the agreement, called *rabb-ul-maal* provides capital finance for a specific venture indicated by the other party, called *mudarib*. The *mudarib's* contribution to the venture is professional and technical expertise. The *mudarib* is also responsible for the management of the business. If the venture brings profits, they are shared according to a pre-agreed ratio between *rabb-ul-maal* and *mudarib*. Losses, however, are entirely incurred by the *rabb-ul-maal,* with the exception of cases when such losses are the outcome of managerial negligence or the misconduct of the *rabb-ul-maal*.

Although originally *mudaraba* served only as a financing instrument; it is now also used as a deposit. In this case, depositors (*rabb-ul-maal*) provide the capital to the bank (*mudarib*) and the task of the bank is to find an investment which will bring profit both to the bank and the depositors. If the investment brings profits, they are shared according to a pre-agreed ratio between the bank and the depositors. This ratio is determined by such factors as the size of the amount to be invested and the duration of the investment. In some countries, supervisory authorities issue guidelines with regard to this ratio.[12] It should, however, be pointed out that the investment can also generate loss. In that case, depositors lose their money. In Malaysia, the possibility of incurring losses by depositors was sanctioned by the Islamic Financial Services Act of 2013.[13] The deposits which can bring losses to the depositors are called investment accounts and, contrary to other kind of deposits, are not protected by the Malaysian deposit guarantee scheme – Perbadanan Insurans Deposit Malaysia (PIDM).[14]

Thus, it is not surprising that the role of deposits based on the *tawarruq* structure (also called commodity *murabaha*) has become more popular in Malaysia in recent years. In the case of a *tawarruq* deposit, the bank's customer purchases certain commodities (e.g. metals or palm oil) from a broker at cost in the spot transaction (in practice, the whole operation is performed on behalf of the client by the bank), and sells them to the bank at cost-plus on deferred payment basis. Then, the bank sells the commodities to another broker at cost on spot basis. The structure of *tawarruq* deposit is presented in Figure 2.

Commodities which are chosen as underlying assets in the *tawarruq* transaction should be non-perishable, freely available and can be uniquely identified.[15] In Malaysia, a special trading platform, the Burssa Suq Al-Sila' has been established for *tawarruq* transactions. On this platform crude oil palm (COP) is used as the underlying asset.[16]

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[12] I. Sobol, *Mudaraba Term Deposits in Islamic Banking – The Crucial Aspects*, "Finanse: Czasopismo Komitetu Nauk o Finansach PAN" 2017, nr 1(10), pp. 375, 376.

[13] Bank Negara Malaysia, *Islamic Financial Services Act 2013*, Laws of Malaysia, Act 759, http://www.bnm.gov.my/documents/act/en_ifsa.pdf (accessed: 11.10.2019).

[14] For more on the functioning of the PIDM system see: Perbadanan Insurans Deposit Malaysia, http://www.pidm.gov.my/en/ (accessed: 26.10.2019); K. Gorak-Sosnowska, P. Masiukiewicz, *Bankowość muzułmańska*, Warszawa 2013, pp. 256–264.

[15] N. Schoon, *Islamic Banking and Finance,* London 2010, p. 74.

[16] Burssa Suq Al-Sila' commodity platform is the result of the collaboration of Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia and the industry players. It is managed by Bursa Malaysia Islamic Services Sdn. Bhd., a wholly-owned subsidiary of Bursa Malaysia, http://www.mifc.com/index.php?ch=ch_contents_directory&pg=pg_dir_provider&ac=559&sec=05 (accessed: 3.11.2019).
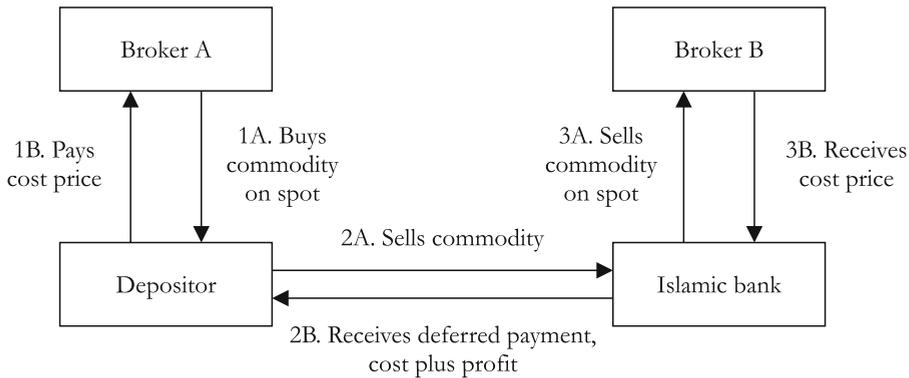
Figure 2. *Tawarruq* deposit

Source: I. Sobol, *Rozwój bankowości islamskiej – uwarunkowania, problemy, perspektywy*, Gdańsk 2019, p. 135.

Although there are some problems and controversies with *mudaraba* and *tawarruq* deposits, they are an alternative to conventional deposits, commonly used by Islamic banks in Malaysia.[17]

The significance of deposit funding of Islamic and conventional banks in Malaysia – a comparison

According to the data of the Malaysian Central Bank (Bank Negara Malaysia), at the end of 2010, the value of deposits placed in Islamic banks was MYR 216,952.5, while at the end of 2016 it was MYR 418,017.8 million. The value of deposits of conventional banks was higher. In 2010, it was MYR 919,259.4 million and in 2016, it was MYR 1,265,045 million. It should be noted, however, that in the years 2010–2016 the value of deposits placed in Islamic banks grew more rapidly than in conventional banks. Compound Annual Growth Rate (CAGR) for deposits placed in Islamic banks in 2010–2016 amounted to 11.6%, while the corresponding ratio for conventional banks was only 5.5%. This translates into an increase of the share of sharia-compliant deposits in total deposits in the Malaysian banking sector. In 2010, it was 19.1%, while in 2016 it was 24.8%.

In order to see whether Islamic banks are more successful in attracting deposits than their conventional counterparts, we decided to make a comparison between

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[17] For example problems with *tawarruq* deposits may arise from delays in delivery of underlying commodities, lack of synchronisation between the sale and purchase dates of commodities, or setting an incorrect price for the commodities. I. Sobol, *Rozwój bankowości islamskiej – uwarunkowania, problemy, perspektywy*, Gdańsk 2019, p. 134.

the ratio of deposits to total assets (DTA) of conventional and Islamic banks in Malaysia. The study covered the years 2010–2016. It included 16 Islamic banks – all operating on the market and 22 conventional commercial banks out of 27 conventional banks operating in Malaysia. Five conventional banks were excluded from the study, since their period of activity on the Malaysian market has been too short to include them in the study, which covered the years 2010–2016.

The ratios of deposits to total assets for respective banks were calculated on the basis of data from financial statements of the banks, published either on their official websites or in Refinitiv's Eikon database. Table 1 presents descriptive statistics of the annual values of the DTA ratio for Malaysian banks in the years 2010–2016.

Among Islamic banks, Affin Islamic Bank Berhad had the highest annual mean value of DTA in 2010–2016 (0.93), and – what is important – the standard deviation was very low (0.01). Moreover, six other Islamic banks had a DTA mean value at the level of 0.90 or higher. Only one of the banks had a DTA ratio lower than 0.80. It was the Kuwait Finance House (Malaysia) Berhad (0.77). It should be added that this bank also had the worst financial results in 2010–2016, incurring losses in four years from that period.

Conventional banks have shown much greater variation in the value of deposits to total assets ratios. As can also be seen in Table 1, these ratios for conventional banks are lower than those for Islamic banks. None of the conventional banks had a DTA ratio of 0.90 or higher. The highest mean value of the ratio in 2010–2016 was achieved by OCBC Bank (Malaysia) Berhad (0.88), with a low standard deviation of 0.01. The Bank of Nova Scotia Berhad had the lowest value of the ratio, only 0.39.

Among Islamic banks, the highest median value of the DTA ratio was achieved by Affin Islamic Bank Berhad (0.94), and the lowest one by the Kuwait Finance House (Malaysia) Berhad (0.77). Among conventional banks, the Industrial and Commercial Bank of China (Malaysia) Berhad and The Bank of Nova Scotia Berhad had the highest and the lowest median value which was 0.88 and 0.39 respectively.

Attention should be also given to the minimum and maximum values of the DTA ratio in respective groups of banks. In the group of Islamic banks, the lowest annual value of the DTA ratio was achieved by Standard Chartered Saadiq Berhad (0.54), while the highest one was achieved by Affin Islamic Bank Berhad (0.95). In the group of conventional banks, the Royal Bank of Scotland Berhad had the lowest annual value of the ratio (0.06), while the highest one (0.92) was achieved by two banks: the Bank of China (Malaysia) Berhad and the Industrial and Commercial Bank of China (Malaysia) Berhad. It is worth noting that the Royal Bank of Scotland reached such a low level of the DTA ratio in 2016, the year in which it began to liquidate its operations in Malaysia.

Table 1. Descriptive statistics

Type	Bank	Mean	Std. Dev.	Median	Skewness	Kurtosis	Min	Max
Islamic banks	Affin Islamic Bank Berhad	0.93	0.01	0.94	−0.85	1.39	0.91	0.95
	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad	0.87	0.01	0.87	0.54	2.28	0.85	0.89
	Alliance Islamic Bank Berhad	0.90	0.01	0.90	−0.25	−1.07	0.89	0.91
	AmIslamic Bank Berhad	0.82	0.03	0.82	0.09	0.67	0.77	0.86
	Asian Finance Bank Berhad	0.81	0.01	0.82	−0.30	−1.99	0.79	0.83
	Bank Islam Malaysia Berhad	0.90	0.01	0.89	0.70	−0.57	0.89	0.91
	Bank Muamalat Malaysia Berhad	0.89	0.00	0.89	0.33	−0.27	0.88	0.89
	CIMB Islamic Bank Berhad	0.90	0.03	0.91	−1.24	1.40	0.83	0.94
	Hong Leong Islamic Bank Berhad	0.88	0.01	0.89	−0.95	−0.73	0.86	0.90
	HSBC Amanah Malaysia Berhad	0.81	0.09	0.86	−1.07	−0.54	0.66	0.90
	Kuwait Finance House (Malaysia) Berhad	0.77	0.02	0.77	−0.30	−2.07	0.73	0.80
	Maybank Islamic Berhad	0.92	0.01	0.93	−1.13	−0.17	0.90	0.93
	OCBC Al-Amin Bank Berhad	0.90	0.02	0.90	−0.63	−0.29	0.86	0.92
	Public Islamic Bank Berhad	0.91	0.01	0.90	1.12	0.11	0.90	0.92
	RHB Islamic Bank Berhad	0.89	0.02	0.88	0.02	−0.94	0.85	0.92
	Standard Chartered Saadiq Berhad	0.81	0.11	0.84	−2.27	5.43	0.54	0.89

Conventional banks	Affin Bank Berhad	0.82	0.06	0.84	−0.37	−1.78	0.74	0.89
	Alliance Bank Malaysia Berhad	0.86	0.01	0.87	0.12	−0.83	0.85	0.88
	AmBank (M) Berhad	0.76	0.02	0.76	−0.39	−0.66	0.73	0.79
	Bangkok Bank Berhad	0.80	0.03	0.80	−0.66	−1.20	0.76	0.83
	Bank of America Malaysia Berhad	0.70	0.08	0.71	−0.33	0.25	0.56	0.83
	Bank of China (Malaysia) Berhad	0.86	0.04	0.85	0.22	−0.26	0.80	0.92
	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad	0.49	0.14	0.53	−0.33	−1.32	0.27	0.69
	CIMB Bank Berhad	0.80	0.01	0.79	0.70	−1.31	0.79	0.82
	Citibank Berhad	0.83	0.01	0.83	1.28	2.18	0.82	0.85
	Deutsche Bank (Malaysia) Berhad	0.55	0.06	0.53	0.85	−0.07	0.48	0.67
	Hong Leong Bank Berhad	0.83	0.02	0.83	0.41	−1.57	0.80	0.87
	HSBC Bank Malaysia Berhad	0.84	0.03	0.85	−0.91	−1.21	0.79	0.87
	Industrial and Commercial Bank of China (Malaysia) Berhad	0.82	0.09	0.88	−0.87	−0.54	0.67	0.92
	J.P. Morgan Chase Bank Berhad	0.59	0.08	0.59	−0.65	−0.28	0.44	0.69
	Malayan Banking Berhad	0.76	0.03	0.77	−1.38	0.40	0.71	0.78
	OCBC Bank (Malaysia) Berhad	0.88	0.01	0.87	0.70	−1.19	0.86	0.89
	Public Bank Berhad	0.87	0.01	0.87	1.35	2.21	0.86	0.90
	RHB Bank Berhad	0.84	0.02	0.85	−1.14	−0.86	0.81	0.85
	Royal Bank of Scotland	0.46	0.17	0.52	−2.00	4.49	0.06	0.61
	Standard Chartered Bank Malaysia Berhad,	0.81	0.04	0.83	−0.99	−0.83	0.75	0.85
	The Bank of Nova Scotia Berhad	0.39	0.12	0.39	−0.61	−0.64	0.18	0.51
	United Overseas Bank	0.87	0.01	0.87	−1.26	2.23	0.85	0.88

In order to fully compare Islamic and conventional banks in Malaysia in terms of the ratio of deposits to total assets, we should answer the question whether there are statistically significant differences in these two groups. For this purpose, the Mann–Whitney U test was carried out.[18] The analysis was done separately for each year. A nonparametric test was chosen, since the distribution of the analysed variable was different from the normal distribution, which, taking into account a small sample, prevents the use of parametric methods.[19]

The Mann–Whitney U test makes it possible to investigate whether two independent samples were selected from populations which have the same distribution. Assuming that $F(x)$ and $G(x)$ are distribution functions of the analysed ratio for Islamic and conventional banks respectively, the following null hypothesis is verified:

$$H_0: F(x) = G(x).$$

The alternative hypothesis is formulated as follows:

$$H_1: F(x) \neq G(x).$$

Failure to reject the null hypothesis informs about a lack of differences between the analysed populations of banks, whereas its rejection indicates the existence of statistically significant differences between Islamic and conventional banks. The test statistic U (when at least one of the samples is lower than or equal to 20) can be calculated as follows:[20]

$$U = n_1 n_2 + \frac{n_1(n_1 + 1)}{2} - R_1,$$

where:
    n_1 – size of the first sample,
    n_2 – size of the second sample,
    R_1 – sum of the ranks of the first sample.

The test results for the deposits to total assets ratio are presented in Table 2.

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[18] H.B. Mann, D.R. Whitney, *On a Test of Whether One of Two Random Variables Is Stochastically Larger than the Other*, "The Annals of Mathematical Statistics" 1947, Vol. 18, No. 1, pp. 50–60.

[19] Adjustment of the distribution was checked using the Shapiro–Wilk test, which indicated that in 2010–2016 the null hypothesis of normality should be rejected in favour of the alternative hypothesis about the lack of normality at the significance level $\alpha = 0.01$.

[20] H.B. Mann, D.R. Whitney, *On a Test…*, p. 51.

Table 2. The results of the Mann–Whitney U test for the deposits to total assets ratio of Islamic and conventional banks in Malaysia in the years 2010–2016

Year	Sum of ranks – Islamic banks	Sum of ranks – conventional banks	Mann–Whitney U statistic	*p*-value
2010	440.0	301.0	**48.0**	**0.000**
2011	442.5	298.5	**45.5**	**0.000**
2012	424.0	317.0	**64.0**	**0.001**
2013	407.0	334.0	**81.0**	**0.004**
2014	418.0	323.0	**70.0**	**0.001**
2015	419.0	322.0	**69.0**	**0.001**
2016	411.0	330.0	**77.0**	**0.003**

Bolded results are significant at 5% level.

Source: Authors' own calculations in Statistica 13.

When the sizes of the samples are $n_1 = 16$ and $n_2 = 22$, the critical value for the Mann–Whitney U test is 109 at the significance level $\alpha = 0.05$. For the U value lower than the critical value, the null hypothesis H_0 should be rejected in favour of the alternative hypothesis H_1. The results presented in Table 2 indicate that in the whole period analysed (2010–2016) there are statistically significant differences in the level of deposits to total assets ratio in Islamic and conventional banks in Malaysia. The sum of the ranks indicates that in this period the ratio of deposits to total assets was higher in the group of Islamic banks.

Conclusions

The result of the study shows that Islamic banks in Malaysia have no problem in attracting deposits. Moreover, the share of deposits in total assets in Islamic banks is higher than in conventional banks. Further studies need to be conducted to determine the reasons why this is the case. But it should be pointed out that a significant part of the savings invested in Islamic banks in Malaysia comes from Islamic-related organisations such as pilgrimage funds and *zakat* institutions, which are not allowed to deposit their funds in the conventional banking system.[21] It can be considered as a somewhat unfair advantage that Islamic banks in Malaysia have over their conventional counterparts, which can be one of the reasons why the rate of growth of deposits in Islamic banks was higher in the years 2010–2016 than in

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[21] Y. Kamarulzaman, A. Madun, *Marketing Islamic Banking Products: Malaysian Perspective*, "Business Strategy Series" 2013, Vol. 14, Issue 2/3, p. 63.

conventional banks, and why they had a significantly higher share of deposits in total assets in comparison to their conventional counterparts. It is, however important for Islamic banks also to attract deposits from other group of customers such as companies and individuals. It is a challenging task, taking into account the fact that they have to compete with long-established conventional banks. That is why they should aim at creating positive perception towards Islamic banking and its products, such as deposits.

It should be pointed out that the higher the share of deposits in the bank's assets, the more financing the bank can provide. The financing which banks provide is one of the main sources of a bank's income. Hence, most studies, either on conventional or Islamic banks, show a positive and significant relationship between the ratio of deposits to total assets and the profitability of the bank measured with such ratios as return on assets (ROA) and return on equity (ROE).[22] Thus, it is not surprising that attracting deposits is important for banks. On the other hand, it should be pointed out that a high ratio of deposits to total assets, especially demand ones, may create liquidity problems for banks if customers rush to withdraw their money in bad economic situations. So while banks need to attract deposits, it is also important that Islamic banks in Malaysia maintain a sufficient level of equity.

STRESZCZENIE

DEPOZYTY JAKO FORMA FINANSOWANIA BANKÓW ISLAMSKICH I KONWENCJONALNYCH W MALEZJI

Banki mają bardzo zróżnicowaną strukturę finansowania, która nie uległa znaczącym zmianom na przestrzeni lat. Formy, którymi finansują się nowoczesne banki, obejmują: kapitał, depozyty i finansowanie hurtowe. Depozyty, zwłaszcza detaliczne, stanowią główne źródło finansowania banku. Klienci banków inwestują swoje pieniądze w formie depozytów, zwykle w celu otrzymania odsetek. Ponadto tym, co przyciąga klientów do depozytów, jest bezpieczeństwo inwestycji, gdyż depozyty są zwykle chronione w ramach systemów gwarantowania depozytów. Należy jednak zaznaczyć, że nie wszystkie banki mogą oferować depozyty charakteryzujące się wyżej wymienionymi cechami. W latach 70. pojawił się alternatywny system bankowy – system islamski, w którym instrumenty finansowe, w tym depozyty, mają inną, niepowtarzalną specyfikę. Cechą charakterystyczną banków islamskich jest obowiązek prowadzenia operacji zgodnie z zasadami prawa religij-

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[22] See among others: M.H Shah, S. Khan, *Factors Affecting Commercial Banks Profitability in Pakistan*, "Journal of Business and Tourism" 2017, Vol. 3, No. 1, pp. 1–12; C.F. Fah, A. Hassani, *A Study of Islamic and Conventional Banks in Malaysia*, "Journal of King Abdulaziz University: Islamic Economics" 2014, Vol. 27, No. 1, pp. 73–99; I. Sobol, *Rozwój bankowości…*, pp. 175–184.

nego muzułmanów – szariatu. Podstawową zasadą szariatu stosowaną przez islamskie instytucje finansowe jest zakaz lichwy (arab. *riba*), rozumiany jaka zakaz stosowania jakiegokolwiek oprocentowania. Zakaz *riba* ma ogromny wpływ na instrumenty oferowane przez banki islamskie, w tym depozyty, gdyż nie mogą być one oparte na stopie procentowej. Głównym celem artykułu jest charakterystyka finansowania banków islamskich za pomocą depozytów oraz porównanie zakresu wykorzystania depozytów w bankach islamskich oraz konwencjonalnych na przykładzie Malezji. Badania oparto zarówno na metodach jakościowych, jak i ilościowych.