

## Provisions for Risk in Islamic Banking and Finance in Comparison to the Conventional Banks in Malaysia

**Authors :** Rashid Masoud Ali Al-Mazrui, Ramadhani Mashaka Shabani

**Abstract :** Islamic banks and financial institutions are exposed to the same risks as conventional banking. These risks include the rate return risk, credit or market risk, liquidity risk, and operational risk among others. However, being a financial institution that operates Islamic banking and finance operations, there is additional risk associated with its operations different from conventional finance, such as displacing commercial risk. They face Shari'ah compliance risks because of their failure to follow Shari'ah principles. To have proper mitigation and risk management, banks should have proper risk management policies to mitigate risks. This paper aims to study the risk management taken by Islamic banks in comparison with conventional banks. Also, the study evaluates the provisions for risk management taken by selected Islamic banks and conventional banks. The study employs qualitative analysis using secondary data by applying a content analysis approach with a sample size of 4 Islamic banks and four conventional banks ranging from 2010 to 2020. We find that these banks all use the same technique, except for the associated risk. The extra ways are used, but only for additional risks that are available to Islamic banking and finance.

**Keywords :** emerging risk, risk management, Islamic banking, conventional bank

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