

The effect of performance of Islamic banking with relation to credit & liquidity risk.



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Abstract

This study aimed to investigating the risks and forecasts of Islamic banking operating in Pakistan. The study start with historical background and products of Islamic banking. Ten Islamic bank is to be chosen to some of bank fulfill the whole criteria of Islamic mode of finance and some banks are operate parallel Islamic banks branch. Total asset of Islamic banking is aggregate 904 billion in 2011. In this research we have taken liquidity risk and credit risk to evaluate the performance of Islamic banking in how they tackle the risks, so for this purpose we applied E-views to measure credit and liquidity risks in Islamic banks of Pakistan and also tested autocorrelation, multicollinearity and Heteroskedasticity of the regression models to find the validity of control variables. This paper inspects the variables influencing credit and liquidity risk, being the principle risk confronted by keeping money organizations and methodically recognizes the key components affecting credit and liquidity hazard arrangement in Islamic managing an account operations in Pakistan. A correlation of these components Islamic saving money operations is highlighted. A few approach suggestions are tended to advance risk administration culture in Islamic saving money industry. The findings of the study show that the credit risk effect the performance of Islamic banking due to the recovery of bad debts/loans, and liquidity risk does not affect the performance of Islamic banking because, we get the value of the asset before and after it's maturity.