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LIQUIDITY CONCERNS OF ISLAMIC BANKS

BY

CECEP MASKANUL HAKIM

ADVISOR

DR. MUHAMMAD ANWAR
DEPARTMENT OF ECONOMICS

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This is to certify that Bro./Sis. CECEP MASKANUL HAKIM
has written the Master of Economics research paper entitled:
LIQUIDITY CONCERNS OF ISLAMIC BANKS

under my supervision. The relevant comments made on the Paper during its presentation have been incorporated in the present version of the paper to my full satisfaction.

I have pleasure in recommending that the graduate committee may approve the paper in partial fulfilment of the requirements for the degree of Master of Economics.

Name of Supervisor: MUHAMMAD ANWAR

Date : 15/1/93

M. Anwar
(Signature)

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Cecep Maskanul Hakim.

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ABSTRACT

Development of Islamic banks in many parts of the world has become major interest for study. It indicates the feasibility of Islamic banks' operations, based on Islamic Shariah, despite unfriendly environment which is interest based.

However, the development does not necessarily means that Islamic banks run smooth in their operations. There are technical and procedural problems should be coped with due to their unique principles. One of the problems is that Islamic banks were found to hold more liquid funds, instead of putting them in investment, because of many acceptable reasons.

This paper, consists of five parts, basically tried to find the reasons for the above said problem, and tried to seek the solutions. Part I and II discuss about liquidity and its role in conventional and Islamic banks. Part III highlights the way both banks manage their liquidity to meet the customers' demand. Part IV elaborates the issue regarding the liquidity problems and their effects on both conventional and Islamic banks. Part V is concluding remarks which is followed by references in which this paper is based.