



**DETERMINANTS OF LOCAL COMMERCIAL BANK'S
PROFITABILITY: EVIDENCE FROM MALAYSIA**

NURUL AMIRAH BINTI YOB AHMAD

2012910929

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

SEGAMAT, JOHOR.

DECEMBER 2016



**DETERMINANTS OF LOCAL COMMERCIAL BANK'S
PROFITABILITY: EVIDENCE FROM MALAYSIA**

**NURUL AMIRAH BINTI YOB AHMAD
2012910929**

**Submitted in Partial Fulfillment
Of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

DECEMBER 2016



**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

DECLARATION OF ORIGINAL WORK

NURUL AMIRAH BINTI YOB AHMAD

2012910929

Hereby, declare that,

- ✓ This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- ✓ This project paper is the result of my independent work and investigation, except where otherwise stated.
- ✓ All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

JANUARY 2016

Encik Husnizam Hosin
Faculty of Business Management
Universiti Teknologi MARA
85009 SEGAMAT
JOHOR DARUL TAKZIM

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**DETERMINANTS OF LOCAL COMMERCIAL BANK’S PROFITABILITY: EVIDENCE FROM MALAYSIA**” to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA.

Thank you.

Yours sincerely,

.....

NURUL AMIRAH BINTI YOB AHMAD

2012910929

Bachelor of Business Administration (Hons) Finance.

ABSTRACT

First of most, banking sector is the backbone for a country's economy as banks performance can generate spill over impacts on different sectors (UNDP, 2009). The commercial banking industry of Malaysia is developing rapidly and has been acted as one of the critical driving forces of economy growth of the country. According to Abdul Jamal, Abdul Karim & Hamidi (2012), until 2011, commercial banks account the bulk of RM1, 7138.3 trillion assets and they represent the largest segment of all financial institutions in Malaysia. Therefore, this research is only focused on commercial banks since they are the largest fund provider in a country.

The main purpose this research is to find out the profitability determinants of commercial banks in Malaysia. ROA was chosen as dependent variables to estimate the commercial bank's profit, and 3 independent variables which are capital adequacy, credit risk and bank size. The duration for this study is from 2005-2015 and is collected based on annual basis. This paper also examines the impact of bank specifics on profitability of commercial banks in Malaysia. Ordinary Least Square (OLS) method as used to analyze the data collected from 7 commercial banks in order to understand the determinants Commercial banking profitability in Malaysia. In the findings the bank specific variables show that the capital adequacy and bank size have positively influenced the bank's profitability.