**FACULTY OF BUSINESS AND MANAGEMENT**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS.) FINANCE**

**INDUSTRIAL TRAINING REPORT (MGT666)**

**ANSELL INDUSTRIAL & SPECIALTY GLOVES SDN BHD**

**RESEARCH TOPIC :**

**DETERMINANTS OF PROFITABILITY : EVIDENCE FROM 5 ISLAMIC BANKS IN MALAYSIA (2013-2022)**


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## EXECUTIVE SUMMARY

To complete my bachelor's degree, I am respected for completing my internship at Ansell Industrial & Specialty Gloves Sdn Bhd from 1st September 2023 until 9th February 2024. I was assigned to the Finance Department during my 6 months internship. This was my first time working in an office with experienced colleagues, so I was exposed to a new work culture. My role is to assist with daily finance and costing tasks. My responsibilities during my 6 months internship included assisting financial year end closing stock take, sighting & verifying plant fixed assets and recording new assets.

One of the highlights of my internship was gaining hands-on experience with Ansell Industrial & Specialty Gloves Sdn Bhd’s financial systems, particularly the exploration of the company's app systems like powerBI, Smartsheet and D365 where I can get data about the company. I actively distribute and arrange invoices, provide some raw reports, registering them in the system, and managing other essential documentation. My role also encompassed maintaining an organized filing system to facilitate efficient document retrieval. Other than the finance and costing job, this internship exposed me to a wealth of knowledge from colleagues in various departments. The collaborative environment at Ansell Industrial & Specialty Gloves Sdn Bhd fostered a culture of knowledge-sharing, broadening my understanding of diverse fields within the corporate setting.

In addition, this internship greatly improved my communication abilities. Engaging professionally with colleagues, suppliers, and operators improved my ability to articulate ideas and collaborate effectively in a corporate setting. I am very thankful for the assistance and guidance provided by my supervisor and colleagues at Ansell Industrial & Specialty Gloves Sdn Bhd. Their willingness to share knowledge and help me grow professionally made this internship a rewarding experience. Overall, my time at Ansell Industrial & Specialty Gloves Sdn Bhd has been enjoyable, and I appreciate the opportunity to contribute to the company's success over the last 6 months.

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## 2.0 COMPANY PROFILE

### 2.1 COMPANY BACKGROUND

Ansell is a prominent international company specializing in the development and manufacturing of a diverse range of protective solutions, prominently gloves, and other safety gear for industrial, medical, and consumer applications. Eric Norman Ansell founded the company in Australia in 1905, with the initial focus on surgical gloves production. Ansell has expanded and diversified its product offerings over the years, adding gloves for industrial, medical, and specialty applications. Ansell now operates on a global scale, with offices in several countries and customers in industries including healthcare, industrial, and life sciences. Now, Ansell has evolved into a global leader with a widespread presence and numerous branches worldwide.

The branch where I am currently completing my internship, Ansell Industrial & Specialty Gloves Sdn Bhd is situated in Kulim, Kedah. Ansell has garnered a stellar reputation for its commitment to providing innovative safety solutions across various industries, including healthcare, manufacturing, automotive, and construction. The company's extensive history underscores its dedication to research and development, consistently introducing cutting-edge technologies and materials to enhance the effectiveness of its protective products, thereby safeguarding individuals from an array of risks such as chemical exposure, biological hazards, and mechanical injuries.

### 2.2 VISION AND MISSION

**Vision :** To create a world where people can enjoy optimal protection against the risk they are exposed to.

**Mission :** Provide innovative solutions for safety, well-being and peace of mind no matter who or where you are. Create an ‘Ansell-protected’ world.

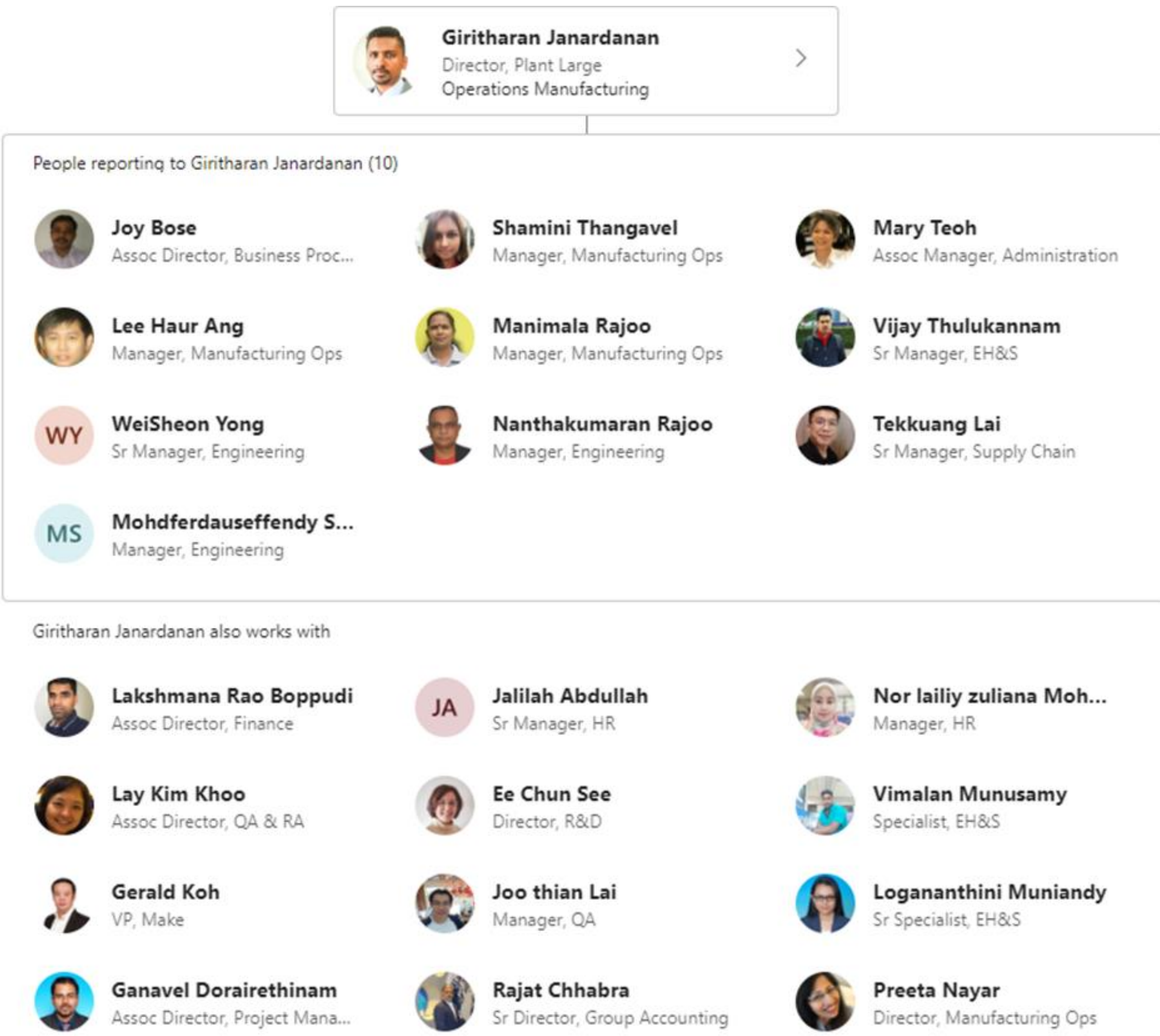
## 2.3 OBJECTIVE AND GOAL

Ansell, a global leader in protective solutions, is committed to promoting safety, innovation, and customer satisfaction across industries. With the main objective of improving workplace safety, the company is constantly striving to produce high-quality protective gear, such as gloves and apparel, that are designed to reduce risks and provide comfort. Ansell's commitment to customer satisfaction includes understanding and meeting the diverse needs of its global clientele. The company aims to stay at the cutting edge of technology by relentlessly pursuing innovation, ensuring that its products provide improved functionality and durability.

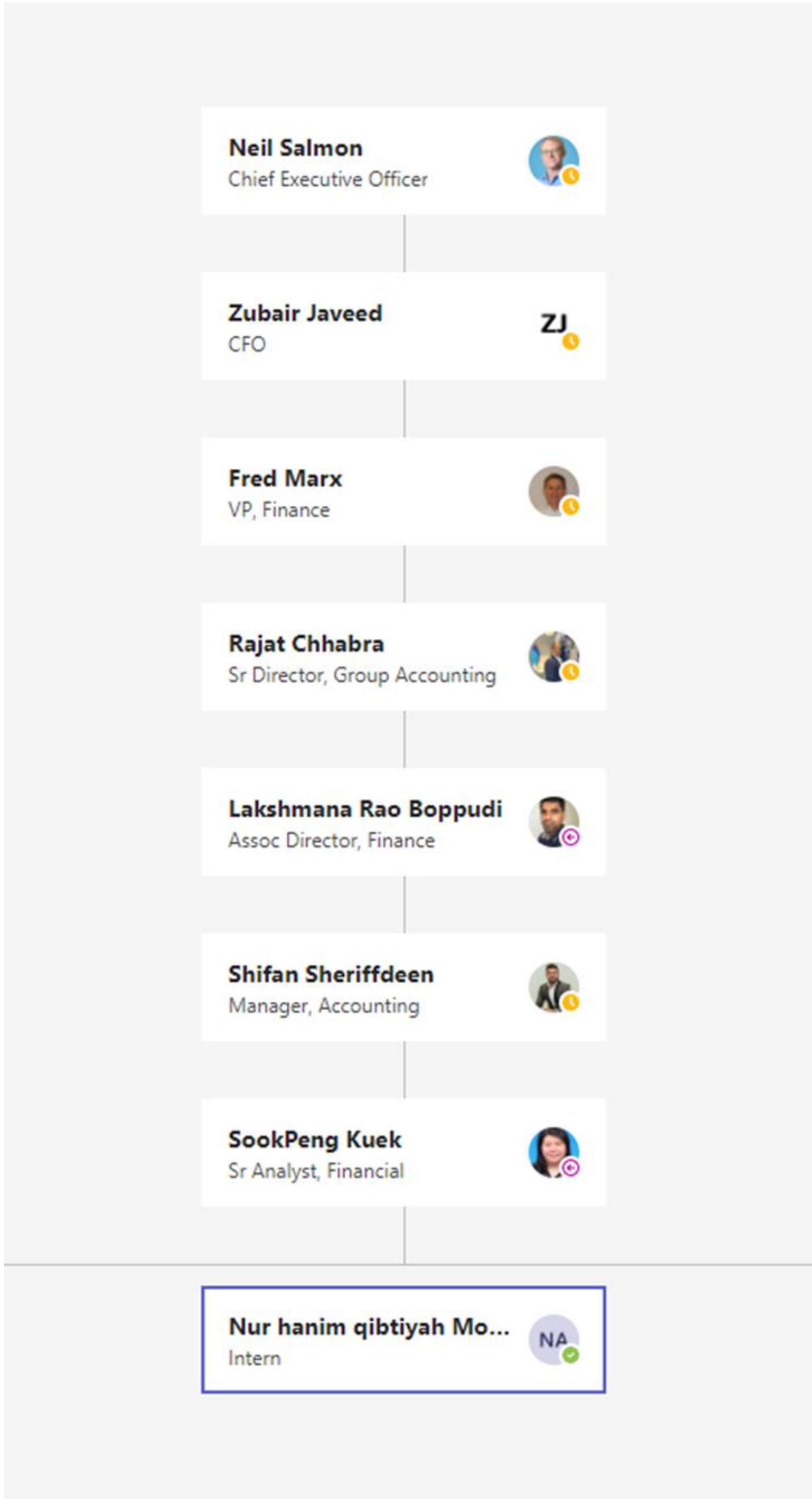
Ansell's global presence is a top priority, with efforts focused on entering new markets and forming strategic alliances. The company is also committed to sustainability, with goals that include reducing its environmental footprint and promoting eco-friendly practices. Ensuring employee well-being and achieving strong financial performance demonstrate Ansell's comprehensive approach to maintaining leadership, both in the protective solutions industry and as a responsible corporation.

## 2.4 ORGANIZATIONAL STRUCTURE

ANSELL INDUSTRIAL & SPECIALTY GLOVES SDN BHD ORGANIZATION CHART



FINANCE DEPARTMENT ORGANIZATION CHART



## 3.0 TRAINING'S REFLECTION

I began my internship that started from 1st September 2023 until 9th February 2024, which total to 161 of working days. This internship experience was not only extensive but also well-structured, operating from Monday to Friday, with Saturday and Sunday designated as rest days. The daily working hours started from 8:30 am to 5:30 pm, provided a consistent and immersive experience, allowing for full participation in the department's activities and tasks.

During my internship in the Finance department, I actively participated in a variety of financial processes, gaining valuable experience and exposure. This role includes a wide range of responsibilities, all of which contribute to a comprehensive understanding of the organization's financial operations.

1. **Fixed Asset Management**: Assisting with the identification and verification of plant fixed assets, including the recording of new assets, will be an important responsibility. This involvement aims to help the organization manage its assets more effectively.
2. **Month End Closing Report Support**: I will help to do account reconciliation, financial record updating, data entry into system, transaction verification, budget vs actual figures analysis, and team collaboration to ensure accurate and timely reporting.
3. **Data Compilation using Excel**: I used an Excel to compile and organize past financial data. This task entails working with spreadsheets to facilitate data analysis and contribute to informed decision-making processes.
4. **Coordination with Other Departments**: I followed up on the status of reporting from other departments to ensure that reporting deadlines are met and financial information flows smoothly.
5. **Invoices Distribution and Approval**: I am responsible for efficiently distributing and organizing invoices for approval by the Plant Controller. This task necessitates organizational skills and adherence to established financial procedures.
6. **Documentation Management**: My job included filing and organizing documentation to ensure that records are accurate and secure for compliance and audit purposes.
7. **Additional Tasks**: I be flexible in taking on additional tasks as needed, showcasing adaptability and a proactive approach to contribute to the dynamic needs of the finance department.

My internship for 24 weeks proved to be a rich learning experience, offering both intrinsic and extrinsic benefits. The financial allowance of RM1000 monthly and a recognition-based compensation structure, which provided valuable financial support. On the intrinsic side, completing a variety of tasks such as asset verification and month-end closing report helped me gain a better understanding of financial operations. The hands-on experiences expanded my knowledge and skills in areas such as data management and communication, while also encouraging adaptability and versatility. As I reflect on this transformative journey, I am confident that the combination of financial recognition and skill development has prepared me for future success in the finance field.

## 4.0 RESEARCH ANALYSIS


### ABSTRACT

This study intends to examine the determinants of profitability within the context of Islamic banking, focusing on five prominent Islamic banks in Malaysia over the period 2013–2022. The research employs various financial indicators and robust econometric methods to analyze the factors influencing profitability in Islamic banking in Malaysia. Specifically, the study utilizes panel data analysis and examines key determinants such as efficiency, leverage, and bank size. The model used in this study consists of a descriptive statistic that indicates the mean, standard deviation, and minimum and maximum values of the data. The correlation determines the strength and direction of a linear relationship between two quantitative variables. Cointegration regression is a statistical method for examining the long-term relationships between non-stationary time series variables with a common trend. In sum, this study concludes that efficiency is the most significant determinant of bank profitability. Therefore, bank managers should prioritize adjusting internal factors while adapting to external factors. There are several strategies and considerations they could focus on, such as how banks can strengthen their risk management frameworks to better identify, assess, and lessen risks. This includes credit risk, operational risk, and market risk. Externally, they should closely monitor and adapt to changes in the economic environment and interest rates.



Keywords: Determinants, Islamic Banks, Profitability, Malaysia.

## 4.1 INTRODUCTION

### 4.1.1 Introduction

Profitability is an important aspect of any financial institution, as it plays a critical role in operations, attracting investment, and ensuring long-term viability. When it comes to Islamic banks, the concept of profitability takes on new dimensions in the financial world. Islamic banking is guided by Sharia, Islamic law, which prohibits charging or receiving interest (riba) and encourages ethical and socially responsible financial practices.

Islamic banks, as Sharia-compliant financial institutions, strive for profitability while remaining within the guidelines of Islamic finance. Unlike conventional banks, which generate revenue through interest-based transactions, Islamic banks generate revenue through ethical and Sharia-compliant financial activities such as profit-and-loss sharing agreements, trade-based transactions, and asset-backed financing.

Islamic banks are distinguished by their commitment to promoting economic and social justice through ethical financial practices. Profitability in Islamic banking is achieved through participation and partnership structures like Mudarabah (profit-sharing) and Musharakah (joint venture), in which the bank and its clients share risks and rewards. This encourages a collaborative approach to finance, aligning the bank's interests with those of its clients.

The objective of this research is to identify the factors that influence profitability in Islamic banks, in Malaysia. The study aims to provide empirical insights that contribute to a deeper understanding of the dynamics driving profitability in 5 Islamic banking institutions in Malaysia: Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. The study focuses on examining the efficiency, leverage and bank size from 2013 until 2022.

### 4.1.2 Problem Statement

The study will examine how the independent variables of efficiency, leverage, and size affect the profitability of five Islamic banks in Malaysia: Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. These banks need to confront all the challenges of providing more products and services that are equivalent to those of other conventional banks while maintaining their financial stability. Islamic banks in Malaysia aim for high efficiency in generating revenue. Islamic banks in Malaysia are also concerned about the management of their leverage, which affects the returns on any investment made. Islamic banks in Malaysia are facing challenges maintaining their size. It is crucial for banks to maintain their size because it represents the assets they own that enable them to offer more financial services at a low cost. However, the results of this study may differ for each variable, which required a detailed investigation about the relationship between the independent variables and the profitability of five Islamic banks in Malaysia.

### 4.1.3 Research Objectives

The objective of this study is to examine the determinants of profitability of Islamic banks in Malaysia. The specific objectives for this study are as follows:

1) To investigate the relationship between efficiency and profitability of Islamic Banks in Malaysia.
2) To investigate the relationship between leverage and profitability of Islamic Banks in Malaysia.
3) To investigate the relationship between bank size and profitability of Islamic Banks in Malaysia.

### 4.1.4 Scope of Study

This study investigates the determinants of profitability for 5 Islamic banks in Malaysia that I randomly choose from Refinitiv Eikon. The study covers a 10-year period from 2013 until 2022. To be more specific, the variable used is net profit margin as a dependent variable that is used in evaluating bank profitability. The determinant variables include efficiency, leverage, and bank size. These data were collected from Eikon for five Islamic banks in Malaysia, which include Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad.

## 4.2 LITERATURE REVIEW

In previous studies, an extensive review of existing research was used to carefully determine the metrics for both the independent variables and the dependent variable in the investigation of Islamic banks in Malaysia. The upcoming sections will provide a comprehensive analysis of the factors that influence profitability, efficiency, leverage and bank size.

### 4.2.1 Dependent Variable

**Profitability**

Profitability in a banking firm refers to the ability to generate revenue. It is about the bank's ability to earn more money than it spends on various activities such as lending, investing, and providing services. This metric indicates how well the bank is performing financially. Profitability is frequently expressed as a percentage, representing the bank's return on assets or equity. A profitable bank manages costs effectively, takes calculated risks, and provides value to its shareholders while also playing an important role in the overall economy.

Formula :

1. ROA = (Net Income/Asset) x 100
2. NPM = (Net Income/Sales) x 100
3. GPM = (Gross Profit/Sales) x 100
4. OPM = (Operating Profit/Sales) x 100
5. Fee Revenue = Number of Services or Activities Provided x Fee per Service or Activity

### 4.2.2 Independent Variables

#### Efficiency

Efficiency ratio referred to as the operating efficiency ratio or expense ratio, is a financial indicator that evaluates how well a company utilizes its resources to generate profits. It quantifies the percentage of a company's expenses in relation to its revenues or income.

Fixed Asset Turnover = Net Sales/Average Net Assets
Account Receivable Turnover = Net Sales/ Average Accounts Receivable
Inventory Turnover = Cost of Good Sold/ Average Inventory
Account Payable Turnover = Cost of Good Sold/ Average Accounts Payable

There are numerous studies done to investigate the determinant of profitability of Islamic banks. Within these studies, it was found that a higher efficiency ratio in Islamic banks predicts increased profitability, with positive correlations observed between capitalization, the square of cost efficiency, and performance (Aliyu, 2016). However, the findings by Soból et al. (2023) found that efficiency has a negative and significant impact on Islamic banks. It is identical with the finding by Menacer et al. (2019), which found that bank efficiency has a significant negative relationship with ROE, which affects Islamic bank profitability.

#### Leverage

Leverage is a financial term that describes the use of borrowed funds or debt to fund an investment or business venture. It enables people or companies to increase the potential return on their investment while also increasing the risk involved. There are two types of leverage :

I. Financial leverage is the extent to which a company uses debt to fund its operations. It is calculated using the debt-to-equity ratio (D/E ratio), which compares a company's total debt to its total equity. The debt-to-equity ratio is calculated using the following formula:

Debt-to-Equity Ratio = Total Debt / Total Equity.

The higher the debt-to-equity ratio, the greater the financial leverage employed by the company.

II. Operating leverage compares fixed and variable costs in a company's operations. It determines how changes in sales or production affect a company's operating income. The formula for calculating operating leverage is:

Operating Leverage = Fixed Costs / (Fixed Costs + Variable Costs)

A higher operating leverage indicates a greater proportion of fixed costs, meaning that changes in sales or production levels can significantly affect the company's profitability.

Furthermore, the research by E. Harisa et al. (2019) failed to empirically prove a significant relationship between leverage and profitability in Islamic banking, indicating that higher leverage does not necessarily lead to lower profitability. It is similar to the finding by Noor (2018), using the return on assets (ROA) as a measure of a bank's profitability revealed a negative connection with leverage. However, the study by Toumi (2011) found that the leverage of long term debt to equity ratio, debt to asset ratio are statistically significant.

**Bank Size**

Bank size refers to a financial institution's total assets, liabilities, and capital. It describes a bank's size and capacity to engage with different financial activities, manage risks, and support its customers. Larger bank sizes frequently indicate greater financial strength and a wider range of services. Bank size is measured as the natural logarithm of the value of total assets.Total Assets is a common metric used to assess the size of a bank. The formula as follows:

Bank Size = Total Assets

Previous study by (Z. Chua, 2013) found the bank size shows a positive relationship with profitability. The findings of this study are consistent with Dogan (2013) and Mule and Mukras (2015), who state that large total assets reflect a company's reliability. This is also supported by the study by AlGhusin (2015) and Akbar (2013), which revealed that firm size has a positive effect on profitability. It is identical with the study by Soból et al. (2023), which found profitability measured by ROAA is positively related to bank size. Similar to the findings by Menacer et al. (2019), they also found that bank size has a significant positive relationship with profitability as measured by the ROA of Islamic banks.

## 4.3 RESEARCH DESIGN AND METHODOLOGY

### 4.3.1 Introduction

This chapter will discuss the methodology of the study, including the research framework as a model to support the research. It also includes model specification to determine which independent variables should be included in or excluded from a regression equation, and there is the justification of the variables. The data and sources are stated, and only study-related sources are used. The econometric procedure is organized as follows: descriptive analysis, correlation and cointegration regression.

### 4.3.2 Research Framework

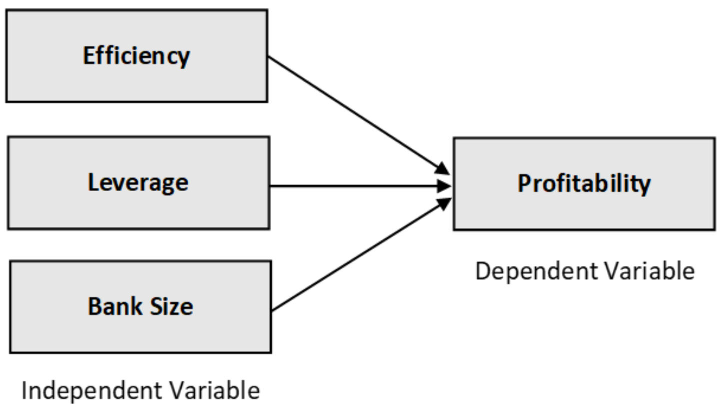



***Figure 1*** **:** Framework of Determinants of profitability

### 4.3.3 Econometric Model

#### 4.3.3.1 Model Specification

Model specification refers to the decision of whether an independent variable should be excluded or included in a regression equation. This study aims to investigate the impact of efficiency, leverage and bank size on profitability of five Islamic Banks in Malaysia: Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. The dependent variable in this study is profitability which is measured by Net Profit Margin(NPM). On the other hand, the independent variables in this study are efficiency, leverage and bank size. The long-term model specification being used to evaluate the relation between dependent and independent variables is as shown below:

NPM = $B0 + B1\,E + B2\,L + B3\,BS$

Where,

NPM = Net Profit Margin

B = Constant value

E= Efficiency

LA= Leverage

BS= Bank Size

### 4.3.4 Descriptive Analysis

A descriptive analysis is conducted to discuss the variables of interest included in this study namely the Net Profit Margin (NPM), Efficiency, Leverage, and Bank Size. The descriptive analysis shall provide useful information about the data used in this study. The summary of the descriptive analysis which includes the mean, standard deviation together with the minimum and maximum value of the data.

### 4.3.5 Correlation Test

Correlation analysis is a statistical method for determining the strength and direction of a linear relationship between two quantitative variables. The result is represented by a correlation coefficient, which ranges from -1 to +1. A coefficient of +1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and zero indicates no linear correlation (T Gell, 2023). It helps to quantify how changes in one variable affect changes in another. Correlation does not imply causation, and the analysis is restricted to linear relationships. Statistical software is frequently used to calculate correlation coefficients from collected data.

### 4.3.6 Cointegration Regression

Cointegration regression is a statistical method for examining the long-term relationships between non-stationary time series variables with a common trend. In financial and economic contexts, it investigates how variables such as stock prices or interest rates move together in the long run despite short-term fluctuations. According to Team, C. (2023), the method includes regressing the non-stationary variables and determining whether the residuals constitute a stationary series. Cointegration regression is essential for understanding the stable, underlying connections between variables with long-term dependencies, as it provides insights into their equilibrium relationships and aids in more accurate modeling of their dynamics, especially in time series analysis and econometrics.

## 4.4 FINDINGS AND ANALYSIS

### 4.4.1 Introduction

This chapter will discuss the major findings on the relationship between efficiency, leverage, bank size and profitability of Islamic Bank. The model used in this study is based on the Descriptive Statistic, Correlation, Cointegration Regression approach whereby the Net Profit Margin (NPM), efficiency, leverage and bank size are included in the estimation model as variables.

### 4.4.2 Data Analysis

#### 4.4.2.1 Descriptive Statistic Analysis

| Variables | Obs | Unit | Minimum | Mean | Maximum | Std.Dev |
|---|---|---|---|---|---|---|
| NPM | 50 | Percentage | 7.000000 | 31.41600 | 50.20000 | 12.11244 |
| Efficiency | 50 | Percentage | 0.000000 | 47.96000 | 83.30000 | 16.95202 |
| Leverage | 50 | Percentage | -57.20000 | 0.678000 | 44.30000 | 15.78813 |
| (Log)size | 50 | Percentage | 9.419872 | 10.75729 | 11.87219 | 0.594204 |

*Table 1 Descriptive Statistic Analysis*

The summary of the descriptive statistics for 5 Islamic Banks in Malaysia which is Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad reveals the following information about the data for year 2013-2022. Firstly, the Net Profit Margin (NPM) minimum value is 7.000000 while the maximum value is 50.20000 with an average value (mean) of 31.41600. Efficiency also increases drastically from minimum value of 0.000000 to 83.30000 with the average value (mean) of 47.96000. The leverage is varied between the minimum value of -57.20000 to maximum value of 44.30000 with the average value of 0.678000. The minimum value of bank size is 9.419872 and has increased to the maximum level of 11.87219 with average value of 10.75729.

#### 4.4.2.2 Correlation Test

| | NPM | EFF | LEV | LBS |
|---|---|---|---|---|
| NPM | 1 | | | |
| EFF | -0.800457 | 1 | | |
| LEV | 0.194748 | -0.208665 | 1 | |
| LBS | 0.273965 | -0.205609 | 0.029985 | 1 |

*Table 2 Correlation Test*

The correlation coefficient is only used to calculate the relationship between independent variables. If any two variables (pairings) have a coefficient greater than 0.90, they are highly correlated and contribute to the multicollinearity problem. As a result, both cannot be estimated in the model simultaneously. As shown in Table 2 above, the estimated results indicate that there is no significant correlation among the independent variables. Thus, there is no multicollinearity issue. Positive correlation can be seen between all variables which are net profit margin and leverage, net profit margin and bank size, leverage and bank size.

#### 4.4.2.3 Cointegration Regression

| Variables | Coefficient | Std. Error | t-Statistic | Probability |
|---|---|---|---|---|
| Efficiency | -0.678 | 0.078 | -8.696 | 0.0000 |
| Leverage | -0.455 | 0.338 | -1.346 | 0.1899 |
| (Log)size | 2.436 | 3.037 | 0.802 | 0.4299 |

*Table 3 Cointegration Regression*

**Estimated slope coefficient of Efficiency, Leverage and Bank Size:**

If the efficiency increases by 1%, the NPM will decrease by 0.68%.

If the leverage increases by 1%, the NPM will decrease by 0.45%.

If the (log)size increases by 1%, the NPM will increase by 2.44%.

**Significance of variable based on t-test using p value:**

Efficiency is significant ( P-value is 0.0000)

Leverage is insignificant (P-value is 0.1899)

(Log)size is insignificant (P-value 0.4299)

**Hypothesis for all variable:**

Hypothesis 1

$H_{01}$ = Efficiency has no relationship with NPM

$H_{A2}$ = Efficiency has a relationship with NPM.

Hypothesis 2

$H_{02}$ = Leverage has no relationship with NPM.

$H_{A2}$ = Leverage has a relationship with NPM.

Hypothesis 3

$H_{03}$ = (Log)size has no relationship with NPM.

$H_{A3}$ = (Log)size has a relationship with NPM.

The result of the t-test indicates that there is enough evidence to reject the first hypothesis because the p-value (0.0000) is less than the chosen significance level, which is 0.05. Therefore, it can be concluded that efficiency has a strong positive significant relationship with net profit margin (NPM) which affects the profitability of five islamic banks in Malaysia. However, a study by Radzi & Rahim (2023) found that efficiency has a negative relationship with financial performance. The positive relationship of efficiency and profitability can be attributed to the efficiency of banks in doing their work well and quickly. This helps them serve customers better, attract more business, and increase profits. Banks will spend less money on daily operations when all resources are used wisely. This means more of the money it earns can become profit.

Other than that, the result of the t-test suggests accepting the second hypothesis because the insignificance of p-value (0.1899) is more than the chosen significance level, which is 0.05. Therefore, it can be concluded that leverage has a negative relationship with net profit margin (NPM). This contrasts with the study by Menacer et al. (2019) which found that financial leverage has a significant positive relationship with profitability, which is measured by ROA. The leverage effect on profitability depends on the performance of the assets financed by the leverage. Wise leverage can enhance returns, but excessive leverage may increase losses. Other than that, Islamic principles may influence the way Islamic banks employ leverage, as they aim to avoid interest-bearing debt. Meanwhile, the economic conditions in Malaysia, such as interest rates, inflation, and overall economic growth, can also influence the leverage effect on Islamic banks' profitability.

Furthermore, the result of the t-test also suggests accepting the third hypothesis because the insignificance of p-value (0.4299) is more than the chosen significance level, which is 0.05. Therefore, it can be concluded that bank size has a negative relationship with net profit margin (NPM). The result differs from the study by (Alzoubi,2018) which found that the size of Islamic banks has a significant positive effect on the bank's profitability. The bank's size can influence its profitability because it helps attract more customers and helps the bank earn money differently. Larger banks can serve more people, which means more customers are using their services. This can lead to more income and higher profits. A large company can provide a wide range of financial services and have better ways of dealing with risks. This helps them avoid financial problems and stay stable while contributing to higher profits.

## 5.0 CONCLUSION AND RECOMMENDATION

### 5.1 Introduction

The study is able to proceed with the conclusion and suggestions to summarize the whole study regarding the relationship between variables and the profitability of Islamic banks in Malaysia because the study has analyzed and presented the regression analysis results in Chapter 4. These variables include net profit margin, efficiency, leverage, and bank size.

### 5.2 Conclusion

To sum up, the overall reason for conducting this research is to investigate the impact of efficiency, leverage, and bank size on the profitability of five Islamic banks in Malaysia. Net profit margin (NPM) is used as a proxy in determining profitability, while efficiency, leverage, and bank size are used as independent variables. In addition, the number of observations for this research ranges from 2013 to 2022. Hence, the methods that are used in this study include time series and cross-sectional. This study was conducted to investigate two or more variables over time. Moreover, the data in this study was obtained for specific Islamic banks in Malaysia, such as Affin

Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. In order to determine the progression of change over time between the macroeconomic variables and profitability, the proper statistical analysis of the data from the Eikon is used in this study. According to the results and findings in this study, it has been found that leverage and bank size have insignificant relationships with the net profit margin (NPM), while efficiency shows a significant relationship with the net profit margin (NPM). Thus, efficiency has a positively significant relationship with net profit margin (NPM).

### 5.3 Recommendation

It is strongly advised that people interested in studying this paper further in the future increase the sample size of observations to address the sample size issues. Other than that, monthly, quarterly, or semi-annual data may be used instead of annual data. The reason is that cointegration regression analysis results are less likely to occur without a large sample size of observation.

In the context of Islamic banks in Malaysia, understanding the financial system requires an investigation into the relationship between risk management strategies and profitability. Islamic banks follow Sharia principles, which emphasize risk sharing and ethical financial activities. Evaluate the effectiveness of these institutions' risk management frameworks and tools, taking into account Islamic finance's specific aspects.

Evaluate how profit and loss sharing mechanisms inherent in Islamic finance, such as Mudarabah and Musharakah, impact the distribution of risk and the overall financial stability of banks. Investigate the correlation between risk-taking behavior and profitability, exploring whether a balanced risk appetite contributes to sustainable and enhanced financial performance. Additionally, analyze how Islamic banks navigate challenges presented by the fluctuating economic landscape and global financial uncertainties while adhering to Sharia principles. The identification of key risk indicators and the proposal of strategies to effectively mitigate risks can provide actionable insights for Islamic banks in Malaysia, optimizing their risk-return profiles and consequently improving profitability.

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2.0 COMPANY PROFILE 2.1 COMPANY BACKGROUND Ansell is a prominent international company specializing in the development and manufacturing of a diverse range of protective solutions, prominently gloves, and other safety gear for industrial, medical, and consumer applications. Eric Norman Ansell founded the company in Australia in 1905, with the initial focus on surgical gloves production. Ansell has expanded and diversified its product offerings over the years, adding gloves for industrial, medical, and specialty applications. Ansell now operates on a global scale, with offices in several countries and customers in industries including healthcare, industrial, and life sciences. Now, Ansell has evolved into a global leader with a widespread presence and numerous branches worldwide. The branch where I am currently completing my internship, Ansell Industrial & Specialty Gloves Sdn Bhd is situated in Kulim, Kedah. Ansell has garnered a stellar reputation for its commitment to providing innovative safety solutions across various industries, including healthcare, manufacturing, automotive, and construction. The company's extensive history underscores its dedication to research and development, consistently introducing cutting-edge technologies and materials to enhance the effectiveness of its protective products, thereby safeguarding individuals from an array of risks such as chemical exposure, biological hazards, and mechanical injuries. 2.2 VISION AND MISSION Vision : To create a world where people can enjoy optimal protection against the risk they are exposed to. Mission : Provide innovative solutions for safety, well-being and peace of mind no matter who or where you are. Create an 'Ansell-protected' world.
2.3 OBJECTIVE AND GOAL Ansell, a global leader in protective solutions, is committed to promoting safety, innovation, and customer satisfaction across industries. With the main objective of improving workplace safety, the company is constantly striving to produce high-quality protective gear, such as gloves and apparel, that are designed to reduce risks and provide comfort. Ansell's commitment to customer satisfaction includes understanding and meeting the diverse needs of its global clientele. The company aims to stay at the cutting edge of technology by relentlessly pursuing innovation, ensuring that its products provide improved functionality and durability. Ansell's global presence is a top priority, with efforts focused on entering new markets and forming strategic alliances. The company is also committed to sustainability, with goals that include reducing its environmental footprint and promoting eco-friendly practices. Ensuring employee well-being and achieving strong financial performance demonstrate Ansell's comprehensive approach to maintaining leadership, both in the protective solutions industry and as a responsible corporation.
2.4 ORGANIZATIONAL STRUCTURE ANSELL INDUSTRIAL & SPECIALTY GLOVES SDN BHD ORGANIZATION CHART FINANCE DEPARTMENT ORGANIZATION CHART

3.0 TRAINING'S REFLECTION I began my internship that started from 1st September 2023 until 9th February 2024, which total to 161 of working days. This internship experience was not only extensive but also well- structured, operating from Monday to Friday, with Saturday and Sunday designated as rest days. The daily working hours started from 8:30 am to 5:30 pm, provided a consistent and immersive experience, allowing for full participation in the department's activities and tasks. During my internship in the Finance department, I actively participated in a variety of financial processes, gaining valuable experience and exposure. This role includes a wide range of responsibilities, all of which contribute to a comprehensive understanding of the organization's financial operations. 1. Fixed Asset Management: Assisting with the identification and verification of plant fixed assets, including the recording of new assets, will be an important responsibility. This involvement aims to help the organization manage its assets more effectively. 2. Month End Closing Report Support: I will help to do account reconciliation, financial record updating, data entry into system, transaction verification, budget vs actual figures analysis, and team collaboration to ensure accurate and timely reporting. 3. Data Compilation using Excel: I used an Excel to compile and organize past financial data. This task entails working with spreadsheets to facilitate data analysis and contribute to informed decision-making processes. 4. Coordination with Other Departments:I followed up on the status of reporting from other departments to ensure that reporting deadlines are met and financial information flows smoothly. 5. Invoices Distribution and Approval: I am responsible for efficiently distributing and organizing invoices for approval by the Plant Controller. This task necessitates organizational skills and adherence to established financial procedures. 6. Documentation Management: My job included filing and organizing documentation to ensure that records are accurate and secure for compliance and audit purposes. 7. Additional Tasks: I be flexible in taking on additional tasks as needed, showcasing adaptability and a proactive approach to contribute to the dynamic needs of the finance department.

My internship for 24 weeks proved to be a rich learning experience, offering both intrinsic and extrinsic benefits. The financial allowance of RM1000 monthly and a recognition-based compensation structure, which provided valuable financial support. On the intrinsic side, completing a variety of tasks such as asset verification and month-end closing report helped me gain a better understanding of financial operations. The hands-on experiences expanded my knowledge and skills in areas such as data management and communication, while also encouraging adaptability and versatility. As I reflect on this transformative journey, I am confident that the combination of financial recognition and skill development has prepared me for future success in the finance field.

4.0 RESEARCH ANALYSIS ABSTRACT This study intends to examine the determinants of profitability within the context of Islamic banking, focusing on five prominent Islamic banks in Malaysia over the period 2013–2022. The research employs various financial indicators and robust econometric methods to analyze the factors influencing profitability in Islamic banking in Malaysia. Specifically, the study utilizes panel data analysis and examines key determinants such as efficiency, leverage, and bank size. The model used in this study consists of a descriptive statistic that indicates the mean, standard deviation, and minimum and maximum values of the data. The correlation determines the strength and direction of a linear relationship between two quantitative variables. Cointegration regression is a statistical method for examining the long-term relationships between non-stationary time series variables with a common trend. In sum, this study concludes that efficiency is the most significant determinant of bank profitability. Therefore, bank managers should prioritize adjusting internal factors while adapting to external factors. There are several strategies and considerations they could focus on, such as how banks can strengthen their risk management frameworks to better identify, assess, and lessen risks. This includes credit risk, operational risk, and market risk. Externally, they should closely monitor and adapt to changes in the economic environment and interest rates. Keywords: Determinants, Islamic Banks, Profitability, Malaysia.

4.1 INTRODUCTION 4.1.1 Introduction Profitability is an important aspect of any financial institution, as it plays a critical role in operations, attracting investment, and ensuring long-term viability. When it comes to Islamic banks, the concept of profitability takes on new dimensions in the financial world. Islamic banking is guided by Sharia, Islamic law, which prohibits charging or receiving interest (riba) and encourages ethical and socially responsible financial practices. Islamic banks, as Sharia-compliant financial institutions, strive for profitability while remaining within the guidelines of Islamic finance. Unlike conventional banks, which generate revenue through interest-based transactions, Islamic banks generate revenue through ethical and Sharia-compliant financial activities such as profit-and-loss sharing agreements, trade-based transactions, and asset-backed financing. Islamic banks are distinguished by their commitment to promoting economic and social justice through ethical financial practices. Profitability in Islamic banking is achieved through participation and partnership structures like Mudarabah (profit-sharing) and Musharakah (joint venture), in which the bank and its clients share risks and rewards. This encourages a collaborative approach to finance, aligning the bank's interests with those of its clients.

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The objective of this research is to identify the factors that influence profitability in

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Islamic banks, in Malaysia. The study aims to provide empirical insights that contribute to a deeper understanding of the dynamics driving profitability in 5 Islamic banking institutions in Malaysia:

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Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad.

The study
focuses on examining the efficiency, leverage and bank size from 2013 until 2022.
4.1.2 Problem Statement The study will examine how the independent variables of efficiency, leverage, and size affect the profitability of five Islamic
banks in Malaysia:

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Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad.

These banks need to confront all the challenges of providing more products and services that are equivalent to those of other conventional banks while maintaining their financial stability. Islamic banks in Malaysia aim for high efficiency in generating revenue. Islamic banks in Malaysia are also concerned about the management of their leverage, which affects the returns on any investment made. Islamic banks in Malaysia are facing challenges maintaining their size. It is crucial for banks to maintain their size because it represents the assets they own that enable them to offer more financial services at a low cost. However, the results of this study may differ for each variable, which required a detailed investigation about

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the relationship between the independent variables and the profitability of five Islamic banks

in Malaysia. 4.1.3 Research Objectives

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The objective of this study is to examine the determinants of profitability of Islamic banks in Malaysia.

The
specific objectives for this study are as follows: 1)

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To investigate the relationship between efficiency and profitability of Islamic Banks in Malaysia. 2) To investigate the relationship between leverage and profitability of Islamic Banks in Malaysia. 3) To investigate the relationship between bank size and profitability of Islamic Banks in Malaysia. 4.1.4 Scope of Study This study investigates the determinants of profitability for 5 Islamic banks in Malaysia.

The
study
covers a 10-year period from 2013 until 2022. To be more specific, the variable used is net profit margin as a dependent variable that is used in evaluating bank profitability. The determinant variables include efficiency, leverage, and bank size. These data were collected from Eikon for five Islamic
banks in Malaysia, which include

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LITERATURE REVIEW In previous studies, an extensive review of existing research was used to carefully determine the metrics for both the independent variables and the dependent variable in the investigation of Islamic banks in Malaysia. The upcoming sections will provide a comprehensive analysis of the factors that influence profitability, efficiency, leverage and bank size. 4.2.1 Dependent Variable Profitability Profitability in a banking firm refers to the ability to generate revenue. It is about the bank's ability to earn more money than it spends on various activities such as lending, investing, and providing services. This metric indicates how well the bank is performing financially. Profitability is frequently expressed as a percentage, representing the bank's return on assets or equity. A profitable bank manages costs effectively, takes calculated risks, and provides value to its shareholders while also playing an important role in the overall economy. Formula : 1. ROA = (Net Income/Asset) x 100 2. NPM = (Net Income/Sales) x 100 3. GPM = (Gross Profit/Sales) x 100 4. OPM = (Operating Profit/Sales) x 100 5. Fee Revenue = Number of Services or Activities Provided x Fee per Service or Activity 4.2.2 Independent Variables Efficiency Efficiency ratio referred to as the operating efficiency ratio or expense ratio, is a financial indicator that evaluates how well a company utilizes its resources to generate profits. It quantifies the percentage of a company's expenses in relation to its revenues or income. Fixed Asset Turnover = Net Sales/Average Net Assets Account Receivable Turnover = Net Sales/ Average Accounts Receivable Inventory Turnover = Cost of Good Sold/ Average Inventory Account Payable Turnover = Cost of Good Sold/ Average Accounts Payable There are numerous studies done to investigate the determinant of profitability of Islamic banks. Within these studies, it was found that a higher efficiency ratio in Islamic banks predicts increased profitability, with positive correlations observed between capitalization, the square of cost efficiency, and performance (Aliyu, 2016). However, the findings by Soból et al. (2023) found that efficiency has a negative and significant impact on Islamic banks. It is identical with the finding by Menacer et al. (2019), which found that bank efficiency has a significant negative relationship with ROE, which affects Islamic bank profitability. Leverage Leverage is a financial term that describes the use of borrowed funds or debt to fund an investment or business venture. It enables people or companies to increase the potential return on their investment while also increasing the risk involved. There are two types of leverage : I. Financial leverage is the extent to which a company uses debt to fund its operations. It is calculated using the debt-to-equity ratio (D/E ratio), which compares a company's total debt to its total equity. The debt-to-equity ratio is calculated using the following formula: Debt-to-Equity Ratio = Total Debt / Total Equity. The higher the debt-to-equity ratio, the greater the financial leverage employed by the company. II. Operating leverage compares fixed and variable costs in a company's operations. It determines how changes in sales or production affect a company's operating income. The formula for calculating operating leverage is: Operating Leverage = Fixed Costs / (Fixed Costs + Variable Costs) A higher operating leverage indicates a greater proportion of fixed costs, meaning that changes in sales or production levels can significantly affect the company's profitability. Furthermore, the research by E. Harisa et al. (2019) failed to empirically prove a significant relationship between leverage and profitability in Islamic banking, indicating that higher leverage does not necessarily lead to lower profitability. It is similar to the finding by Noor (2018), using

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the return on assets (ROA) as a measure of a bank's profitability

revealed a
negative connection with leverage. However, the study by Toumi (2011) found that the leverage of long term debt to equity ratio, debt to asset ratio are statistically significant. Bank Size Bank size refers to a financial institution's total assets, liabilities, and capital. It describes a bank's size and capacity to engage with different financial activities, manage risks, and support its customers. Larger bank sizes frequently indicate greater financial strength and a wider range of services. Bank size is

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measured as the natural logarithm of the value of total assets.

Total Assets is a common metric used to assess the size of a bank. The formula as follows: Bank Size = Total Assets Previous study by (Z. Chua, 2013) found the bank size shows a positive relationship with profitability. The findings of this study are consistent with Dogan (2013) and Mule and Mukras (2015), who state that large total assets reflect a company's reliability. This is also supported by the study by AlGhusin (2015) and Akbar (2013), which revealed that firm size has a positive effect on profitability. It is identical with the study by Soból et al. (2023), which found profitability measured by ROAA is positively related to bank size. Similar to the findings by Menacer et al. (2019), they also found that bank size has a significant positive relationship with profitability as measured by the ROA of Islamic banks. 4.3 RESEARCH DESIGN AND METHODOLOGY 4.3.1 Introduction This chapter will discuss the methodology of the study, including the research framework as a model to support the research. It also includes model specification to determine which independent variables should be included in or excluded from a regression equation, and there is the justification of the variables. The data and sources are stated, and only study-related sources are used. The econometric procedure is organized as follows: descriptive analysis, correlation and cointegration regression.
4.3.2 Research Framework Figure 1 : Framework of Determinants of profitability 4.3.3 Econometric Model 4.3.3.1 Model Specification Model specification refers to the decision of whether an independent variable should be excluded or included in a regression equation. This study aims to investigate the impact of efficiency, leverage and bank size on profitability of five Islamic
Banks in Malaysia:
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Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. The dependent variable in this study is

profitability which is measured by Net Profit Margin(NPM). On the other hand, the independent variables in this study are efficiency, leverage and bank size. The long-term model specification being used to evaluate the relation between dependent and independent variables is as shown below: NPM = 0 + 1 E + 2 + 3 BS Where, NPM = Net Profit Margin B = Constant value E= Efficiency LA= Leverage BS= Bank Size
4.3.4 Descriptive Analysis A descriptive analysis is conducted to discuss the variables of interest included in this study namely the Net Profit Margin (NPM), Efficiency, Leverage, and Bank Size. The descriptive analysis shall provide useful information about the data used in this study. The summary of the descriptive analysis which includes the mean, standard deviation together with the minimum and maximum value of the data. 4.3.5 Correlation Test Correlation analysis is a statistical method for determining the strength and direction of a linear relationship between two quantitative variables. The result is represented by a correlation coefficient, which ranges from -1 to +1. A coefficient of +1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and zero indicates no linear correlation (T Gell, 2023). It helps to quantify how changes in one variable affect changes in another. Correlation does not imply causation, and the analysis is restricted to linear relationships. Statistical software is frequently used to calculate correlation coefficients from collected data. 4.3.6 Cointegration Regression Cointegration regression is a statistical method for examining the long-term relationships between non-stationary time series variables with a common trend. In financial and economic contexts, it investigates how variables such as stock prices or interest rates move together in the long run despite short-term fluctuations. According to Team, C. (2023), the method includes regressing the non-stationary variables and determining whether the residuals constitute a stationary series. Cointegration regression is essential for understanding the stable, underlying connections between variables with long-term dependencies, as it provides insights into their equilibrium relationships and aids in more accurate modeling of their dynamics, especially in time series analysis and econometrics. 4.4 FINDINGS AND ANALYSIS 4.4.1 Introduction This chapter will discuss the major findings on the relationship between efficiency, leverage, bank size and profitability of Islamic Bank. The model used in this study is based on the Descriptive Statistic, Correlation, Cointegration Regression approach whereby the Net Profit Margin (NPM), efficiency, leverage and bank size are included in the estimation model as variables.
4.4.2 Data Analysis 4.4.2.1 Descriptive Statistic Analysis Variables Obs Unit Minimum Mean Maximum Std.Dev NPM 50 Percentage 7.000000 31.41600 50.20000 12.11244 Efficiency 50 Percentage 0.000000 47.96000 83.30000 16.95202 Leverage 50 Percentage -57.20000 0.678000 44.30000 15.78813 (Log)size 50 Percentage 9.419872 10.75729 11.87219 0.594204 Table 1 Descriptive Statistic Analysis
The summary of the descriptive statistics for 5 Islamic Banks in Malaysia which is

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Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad

reveals the
following information about the data for year 2013-2022. Firstly, the Net Profit Margin (NPM) minimum value is 7.000000 while the maximum value is 50.20000 with an average value (mean) of 31.41600. Efficiency also increases drastically from minimum value of 0.000000 to 83.30000 with the average value (mean) of 47.96000. The leverage is varied between the minimum value of -57.20000 to maximum value of 44.30000 with the average value of 0.678000. The minimum value of bank size is 9.419872 and has increased to the maximum level of 11.87219 with average value of 10.75729. 4.4.2.2 Correlation Test NPM EFF LEV LBS NPM 1 EFF -0.800457 1 LEV 0.194748 -0.208665 1 LBS 0.273965 -0.205609 0.029985 1 Table 2 Correlation Test The correlation coefficient is only used to calculate the relationship between independent variables. If any two variables (pairings) have a coefficient greater than 0.90, they are highly correlated and contribute to the multicollinearity problem. As a result, both cannot be estimated in the model simultaneously. As shown in Table 2 above, the estimated results indicate that
there is no significant correlation among the independent variables. Thus, there is no multicollinearity issue. Positive correlation can be seen between all variables which are net profit margin and leverage, net profit margin and bank size, leverage and bank size. 4.4.2.3 Cointegration Regression Variables Coefficient Std. Error t-Statistic Probability Efficiency -0.678 0.078 -8.696 0.0000 Leverage -0.455 0.338 -1.346 0.1899 (Log)size 2.436 3.037 0.802 0.4299 Table 3 Cointegration Regression Estimated slope coefficient of Efficiency, Leverage and Bank Size: If the efficiency increases by 1%, the NPM will decrease by 0.68%. If the leverage increases by 1%, the NPM will decrease by 0.45%. If the (log)size increases by 1%, the NPM will increase by 2.44%. Significance of variable based on t-test using p value: Efficiency is significant ( P-value is 0.0000) Leverage is insignificant (P-value is 0.1899) (Log)size is insignificant (P-value 0.4299) Hypothesis for all variable: Hypothesis 1 H 01 = Efficiency has no relationship with NPM H A2 = Efficiency

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has a relationship with NPM. Hypothesis 2 H 02 = Leverage has no relationship with NPM. H A2 = Leverage has a relationship with NPM. Hypothesis 3 H 03 = (Log)size has no relationship with NPM. H A3 = (Log)size has a relationship with NPM. The result of the t-test indicates that there is enough evidence to reject the first hypothesis because the p-value (0.0000) is less than the chosen significance level, which is 0.05. Therefore, it can be concluded that efficiency has a strong positive significant relationship

with net profit margin (NPM) which affects the profitability of five islamic banks in Malaysia. However, a study by Radzi & Rahim (2023) found that efficiency has a negative relationship with financial performance. The positive relationship of efficiency and profitability can be attributed to the efficiency of banks in doing their work well and quickly. This helps them serve customers better, attract more business, and increase profits. Banks will spend less money on daily operations when all resources are used wisely. This means more of the money it earns can become profit. Other than that, the result of the t-test suggests accepting the second hypothesis because the insignificance of p-value (0.1899) is more than the chosen significance level, which is 0.05. Therefore, it can be concluded that leverage has a negative relationship with net profit margin (NPM). This contrasts with the study by Menacer et al. (2019) which found that financial leverage has a significant positive relationship with profitability, which is measured by ROA. The leverage effect on profitability depends on the performance of the assets financed by the leverage. Wise leverage can enhance returns, but excessive leverage may increase losses. Other than that, Islamic principles may influence the way Islamic banks employ leverage, as they aim to avoid interest-bearing debt. Meanwhile, the economic conditions in Malaysia, such as interest rates, inflation, and overall economic growth, can also influence the leverage effect on Islamic banks' profitability. Furthermore, the result of the t-test also suggests accepting the third hypothesis because the insignificance of p-value (0.4299) is more than the chosen significance level, which is 0.05. Therefore, it can be concluded that bank size has a negative relationship with net profit margin (NPM). The result differs from the study by (Alzoubi,2018) which found that the size

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of Islamic banks has a significant positive effect on the bank's profitability.

The bank's size can influence its profitability because it helps attract more customers and helps the bank earn money differently. Larger banks can serve more people, which means more customers are using their services. This can lead to more income and higher profits. A large company can provide a wide range of financial services and have better ways of dealing with risks. This helps them avoid financial problems and stay stable while contributing to higher profits.
5.0 CONCLUSION AND RECOMMENDATION 5.1.1 Introduction The study is able to proceed with the conclusion and suggestions to summarize the whole study regarding the relationship between variables and the profitability of Islamic banks in Malaysia because the study has analyzed and presented the regression analysis results in Chapter 4. These variables include net profit margin, efficiency, leverage, and bank size. 5.1.2 Conclusion To sum up, the overall reason for conducting this research is to investigate the impact of efficiency, leverage, and bank size on the profitability of five Islamic banks in Malaysia. Net profit margin (NPM) is used as a proxy in determining profitability, while efficiency, leverage, and bank size are used as independent variables. In addition, the number of observations for this research ranges from 2013 to 2022. Hence, the methods that are used in this study include time series and cross-sectional. This study was conducted to investigate two or more variables over time. Moreover, the data in this study was obtained for specific Islamic banks in Malaysia, such as

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Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad.

In order to determine the progression of change over time between the macroeconomic variables and profitability, the proper statistical analysis of the data from the Eikon is used in this study. According to the results and findings in this study, it has been found that leverage and bank size have insignificant relationships with the net profit margin (NPM), while efficiency shows a significant relationship with the net profit margin (NPM). Thus, efficiency has a positively significant relationship with net profit margin (NPM). 5.1.3 Recommendation It is strongly advised that people interested in studying this paper further in the future increase the sample size of observations to address the sample size issues. Other than that, monthly, quarterly, or semi-annual data may be used instead of annual data. The reason is that cointegration regression analysis results are less likely to occur without a large sample size of observation. In the context of Islamic banks in Malaysia, understanding the financial system requires an investigation into the relationship between risk management strategies and profitability. Islamic banks follow Sharia principles, which emphasize risk sharing and ethical financial
activities. Evaluate the effectiveness of these institutions' risk management frameworks and tools, taking into account Islamic finance's specific aspects. Evaluate how profit and loss sharing mechanisms inherent in Islamic finance, such as Mudarabah and Musharakah, impact the distribution of risk and the overall financial stability of banks. Investigate the correlation between risk-taking behavior and profitability, exploring whether a balanced risk appetite contributes to sustainable and enhanced financial performance. Additionally, analyze how Islamic banks navigate challenges presented by the fluctuating economic landscape and global financial uncertainties while adhering to Sharia principles. The identification of key risk indicators and the proposal of strategies to effectively mitigate risks can provide actionable insights for Islamic banks in Malaysia, optimizing their risk-return profiles and consequently improving profitability.

## Hit and source - focused comparison, Side by Side

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|---|---|
| **Submitted text** | As student entered the text in the submitted document. |
| **Matching text** | As the text appears in the source. |

| 1/14 | SUBMITTED TEXT 15 WORDS | 75% MATCHING TEXT 15 WORDS |
|---|---|---|
| | The objective of this research is to identify the factors that influence profitability in | The goal of this research is to identify the major factors that influence commercial bank profitability, particularly in |

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| 2/14 | SUBMITTED TEXT | 21 WORDS | 75% | MATCHING TEXT | 21 WORDS |
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the relationship between the independent variables and the profitability of five Islamic banks

The negative relationship between the independent variables and the profitability of Islamic banks

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| 5/14 | SUBMITTED TEXT | 18 WORDS | 70% | MATCHING TEXT | 18 WORDS |
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The objective of this study is to examine the determinants of profitability of Islamic banks in Malaysia.

The purpose of this study is to investigate the determinants of performance of Islamic banks in Malaysia

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| 6/14 | SUBMITTED TEXT | 64 WORDS | 52% | MATCHING TEXT | 64 WORDS |
|---|---|---|---|---|---|

To investigate the relationship between efficiency and profitability of Islamic Banks in Malaysia. 2) To investigate the relationship between leverage and profitability of Islamic Banks in Malaysia. 3) To investigate the relationship between bank size and profitability of Islamic Banks in Malaysia. 4.1.4 Scope of Study This study investigates the determinants of profitability for 5 Islamic banks in Malaysia.

To identify the relationship between size of bank and capital structure Islamic banks in Malaysia. vi) To investigate the relationship between operation efficiency and capital structure of Islamic banks in Malaysia. vii) To determine the relationship between deposit structure and capital of Islamic banks in Malaysia. 1.6 Scope of the Researchfocuses on the determinants of capital structure in Islamic banks in Malaysia

SA C_003_IZZAH ATIRAH BINTI IDRIS & YON IZREEN BINTI YON ISMAIL_CHAPTER I PHASE II.docx (D134811229)

| 7/14 | SUBMITTED TEXT | 25 WORDS | 75% | MATCHING TEXT | 25 WORDS |
|---|---|---|---|---|---|

Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. 4.2

Affin Islamic Bank Berhad, Islamic Berhad, CIMB Islamic Bank Berhad, Leong Islamic Bank Berhad, RHB Islamic Bank Berhad

W https://hrmars.com/papers/detail/IJARBSS/4484/Risk-Management-in-Musyarakat-Mutanaqisat-Home-Fina ...

| 8/14 | SUBMITTED TEXT 13 WORDS | 80% MATCHING TEXT 13 WORDS |
|---|---|---|
| | the return on assets (ROA) as a measure of a bank's profitability | The return on assets (ROA) stands as a pivotal indicator of a bank's profitability |

**SA** CP_MADIHAH HUSNA (2023245184).docx (D184378522)

| 9/14 | SUBMITTED TEXT 11 WORDS | 100% MATCHING TEXT 11 WORDS |
|---|---|---|
| | measured as the natural logarithm of the value of total assets. | Measured as the natural logarithm of the value of total assets. 1.10 |

**SA** 3 FEB-NAQIBAH BINTI MOHD NOOR ROSLAN_2020992971_FINAL REPORT.pdf (D126913652)

| 10/14 | SUBMITTED TEXT 27 WORDS | 69% MATCHING TEXT 27 WORDS |
|---|---|---|
| | Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. The dependent variable in this study is | Islamic Bank Berhad, Islamic Berhad, MBSB Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad. External variable included in this study is |

**W** http://eprints.utar.edu.my/4554/

| 11/14 | SUBMITTED TEXT 21 WORDS | 75% MATCHING TEXT 21 WORDS |
|---|---|---|
| | Affin Islamic Bank Berhad, Ambank Islamic Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, and RHB Islamic Bank Berhad | Affin Islamic Bank Berhad, Islamic Berhad, CIMB Islamic Bank Berhad, Leong Islamic Bank Berhad, RHB Islamic Bank Berhad |

**W** https://hrmars.com/papers/detail/IJARBSS/4484/Risk-Management-in-Musyarakat-Mutanaqisat-Home-Fina ...

| 12/14 | SUBMITTED TEXT 122 WORDS | 37% MATCHING TEXT 122 WORDS |
|---|---|---|
| | has a relationship with NPM. Hypothesis 2 H 02 = Leverage has no relationship with NPM. H A2 = Leverage has a relationship with NPM. Hypothesis 3 H 03 = (Log)size has no relationship with NPM. H A3 = (Log)size has a relationship with NPM. The result of the t-test indicates that there is enough evidence to reject the first hypothesis because the p-value (0.0000) is less than the chosen significance level, which is 0.05. Therefore, it can be concluded that efficiency has a strong positive significant relationship | has a significant relationship with Islamic bank profitability H02 = Capital Adequacy has no significant relationship with Islamic bank profitability HA2 = Capital Adequacy has a significant relationship with Islamic bank H03 = Liquidity has no significant relationship with Islamic bank profitability HA3 = Liquidity has a significant relationship with Islamic bank profitability Based the result of t-test, it indicates that we enough evidence to reject the first null hypothesis because the p-value is less than the significant level which is 0.05. From that, we can conclude that size has a strong positive significant relationship |

**SA** TBA2425B_THE DETERMINANTS OF ISLAMIC BANK PROFITABILITY IN MALAYSIA.pdf (D141597452)

| 13/14 | SUBMITTED TEXT | 13 WORDS | 80% MATCHING TEXT | 13 WORDS |
|---|---|---|---|---|
| | of Islamic banks has a significant positive effect on the bank's profitability. | | of the Islamic banks had a significant yet positive effect on the bank's profitability ( | |

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| 14/14 | SUBMITTED TEXT | 21 WORDS | 75% MATCHING TEXT | 21 WORDS |
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W https://hrmars.com/papers/detail/IJARBSS/4484/Risk-Management-in-Musyarakat-Mutanaqisat-Home-Fina ...