



**PROFITABILITY OF ISLAMIC BANKS IN MALAYSIA**

**MUHAMMAD IRFAN IZZUDDIN BIN ROZIMIN**

**2017662624**

**BACHELOR OF BUSINESS ADMINISTRATION**

**WITH HONOURS (FINANCE)**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**DECEMBER 2019**

## **ACKNOWLEDGEMENT**

This final year project report was prepared for Universiti Teknologi Mara (UITM), basically for student in final year to complete the undergraduate program that leads to the degree of Bachelor in Business Administration (Finance). First and foremost, I wish to thank to Allah S.W.T. for hearing the prayers, giving me the strength to overcome and facing the tough time during doing this research.

Next is my gratitude to my advisor, Dr. Rosman Bin Mahmood whose sincerity, encouragement and supervision. Big thanks also to Cik Nur Azwani Mohamad Azmin for the guidance usage of online database and how to locate the data to be used for in this study.

Furthermore, I would like to thank you to Universiti Teknologi Mara Campus Dungun Cendekiawan Library Department for providing an access to online database. It was a great facilities to use and it had made much easier to find the data that I needed.

Last but not least, thank you so much to my family, to all my classmates and my colleagues during intern in sharing their knowledge and encourage me to complete this task successfully. Hopefully, this research study would be beneficial and act as guidance for future researchers who are interested to explore and gain knowledge from it.

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
LETTER OF SUBMISSION.....	i
DECLARATION OF ORIGINAL WORK.....	ii
ACKNOWLEDGEMENT.....	iii
LIST OF TABLE.....	vi
LIST OF FIGURE.....	vi
LIST OF ABBREVIATION.....	vi
ABSTRACT.....	vii
CHAPTER ONE: INTRODUCTION.....	1
1.0 BACKGROUND OF STUDY.....	1
1.1 PROBLEM STATEMENT.....	2
1.2 RESEARCH QUESTIONS.....	2
1.3 RESEARCH OBJECTIVES.....	2
1.4 SCOPE OF STUDY.....	2
1.5 SIGNIFICANCE OF THE STUDY.....	3
1.6 LIMITATIONS OF THE STUDY.....	3
1.7 OPERATIONAL DEFINITIONS.....	3
Return on asset (ROA).....	3
Capital Adequacy.....	4
Bank Size.....	4
Inflation rate.....	4
1.8 ORGANIZATION OF STUDY.....	4
CHAPTER TWO: LITERATURE REVIEW.....	5
2.0 INTRODUCTION.....	5
2.1 PROFITABILITY OF ISLAMIC BANK.....	5
2.2 DETERMINANTS PROFITABILITY OF ISLAMIC BANK.....	5
2.3 RETURN ON ASSET (ROA).....	6
2.4 CAPITAL ADEQUACY.....	7
2.5 BANK SIZE.....	8
2.6 INFLATION RATE.....	9
2.7 LITERATURE REVIEW FINDINGS BETWEEN VARIABLES.....	9
CHAPTER THREE: RESEARCH METHODOLOGY.....	10
3.0 INTRODUCTION.....	10
3.1 THEORETICAL FRAMEWORK.....	10
3.2 HYPOTHESIS STATEMENT.....	10

3.3 TYPE OF STUDY .....	11
3.4 DATA COLLECTION .....	11
3.5 SAMPLING TECHNIQUE (VARIABLE AND EXPLANATIONS) .....	11
3.6 FUNCTION AND MODEL .....	11
3.7 DATA ANALYSIS .....	12
3.8 PROCEDURE OF DATA ANALYSIS .....	14
3.8.1 Descriptive statistics .....	14
3.8.2 Pearson correlation between variables .....	14
3.8.3 Regression model .....	14
3.8.4 Multicollinearity Test .....	15
CHAPTER FOUR: FINDING AND ANALYSIS .....	16
4.0 INTRODUCTION .....	16
4.1 DESCRIPTIVE STATISTICS .....	16
4.2 PEARSON CORRELATION .....	17
4.3 REGRESSION MODEL .....	18
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS .....	21
5.0 INTRODUCTION .....	21
5.1 DISCUSSION .....	21
5.1 CONCLUSION .....	21
5.2 RECOMMENDATION FOR FUTURE RESEARCHER .....	22
REFERENCES .....	23
APPENDICES .....	26

## ABSTRACT

The developing of Islamic banking system has made Malaysia become one of the most important centres in the world. This study is to identify the profitability of Islamic banks in Malaysia. The data is taken in this study is from 2009 until 2018. The sample data derived from the financial statement of 10 Islamic banks in Malaysia. The data use Profitability of Islamic Banks in Malaysia as the dependent variable. Independent variables is used in this study are capital adequacy, return on asset, bank size and inflation rate. As for run data, this paper used Descriptive Statistic, Pearson Correlation, Regression Model, Correlation Coefficient and Multicollinearity test. The result found that return on asset, capital adequacy and bank size has positive relationship with profitability of Islamic Banks. On the other hand, inflation rate have positive relationship but insignificant with the profitability of Islamic bank.

**Keywords :** Profitability of Islamic bank, return on asset, capital adequacy, bank size and inflation rate.