

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

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Abstract

The aim of this study is to determine the relationship between the internal and external determinants towards the bank's profitability of commercial banks in Malaysia. Internal factor that are included in this paper are firm size and loan ratio. While for the external factor, there are two included which are inflation rate and gross domestic product. The secondary data has been collected from 8 commercial banks that exist in Malaysia from year 2006 to 2012. Ordinary Least Square will be used in this paper to run the regression model. The result shows from the findings shows that the firm size is insignificant and negative relationship influence the bank's profitability. While for loan ratio, the result is insignificant and positive relationship. As for the external factor, both inflation rate and GDP share the same result where it is found significant and negative relationship. For future studies, it is recommended that Islamic Bank should be included so that the profitability of the bank between conventional and Islamic banks can be compare.