



**A COMPARISON STUDY BETWEEN THE PROFITABILITY OF ISLAMIC  
AND CONVENTIONAL BANKING IN MALAYSIA**

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## TABLE OF CONTENT

	<b>PAGE</b>
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES	vi
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	viii
ABSTRACT	xi

<b>TABLE OF CONTENT</b>	<b>PAGE</b>
<b>Chapter 1 : Introduction</b>	
1.0 Background of Study	1
1.1 Problem Statement	3
1.2 Objective of The Study	4
1.3 Significance of The Study	4
1.3.1 Body of Knowledge	5
1.3.2 Contribution of The Study	5
1.4 Scope and Limitation	6
1.4.1 Scope	6
1.4.2 Limitation	6
1.5 Definition of terms	7
1.7 Organization of Thesis	7
<b>Chapter 2 : Theory and Literature Review</b>	
2.0 Introduction	9
2.1 Literature Review	9
2.3 Conceptual Framework	13
2.4 Research Hypothesis	14
2.5 Conclusion	15
<b>Chapter 3 : Data and Methodology</b>	
3.0 Introduction	16
3.1 Data Collection Method	16
3.2 Sampling Design	17
3.2.1 Population Size	17
3.2.2 Sampling Technique	17
3.2.3 Sample Size	17
3.3 Empirical Framework	17
3.3.1 Empirical Model	17
3.3.2 Measurement of Variables	18
3.3.2.1 Dependent Variable	18
3.3.2.2 Independent Variables	19

3.4 Data Analysis	20
3.4.1 Descriptive statistics	20
3.4.2 Correlation Matrix	20
3.4.3 Unit Root Test	21
3.4.4 BPLM	21
3.4.5 Pooled OLS Model	22
3.4.6 Multiple Regression	22
3.5 Diagnostic Check	22
3.5.1 Heteroskedasticity	22
3.5.2 Serial Correlation	23
3.5.3 Multicollinearity	23
3.5.4 Newey-West	24
3.5.5 Robust Standard Error Estimator	24
3.6 Research Flow	24
3.7 Conclusion	26
<b>Chapter 4 : Finding and Discussion</b>	
4.0 Introduction	27
4.1 Descriptive Statistics	28
4.1.2 Correlation Matrix	29
4.2 Panel Unit Root Test	31
4.3 Breusch Pagan LM Test	32
4.4 Heteroskedasticity Test	32
4.5 Result Multicollinearity	33
4.6 Overall Result	34
4.7 Summary of Hypothesis Testing	37
4.8 Conclusion	37
<b>Chapter 5 : Conclusion and Recommendation</b>	
5.1 Conclusion	39
References	41
Appendix	

## ABSTRACT

The financial world knows for a long time creative administrations and firms to generate profits. Among those developments, there are the Islamic banks whose growth and expansion have surprisingly expanded too fast and known an incredible achievement everywhere in the world. Consequently, many studies are concerned about this outstanding growth and are conducting various studies as to explore this phenomenon more in deep. Especially in Malaysia, whereas as an Islamic Financial hub country, it is crucial to have this kind of study in order to improve the performance of bank. Consequently, the aim this study is to compare between the performance of both banks: Islamic and conventional, in terms of their profitability in Malaysia. The study uses the period of the year 2012 until the year 2016. The sample used is 32 banks where 16 banks of Islamic Bank and another 16 banks are from Conventional Banks with total 160 Observations. Meanwhile, data are collected from Bank Negara Malaysia, Bank's annual report and DataStream. Besides, the type of this study is used cross sectional of Ordinary Least Square (OLS). This study finds that Islamic Banks are more profitable than Conventional Banks based on the relationship between Total Equity to Total Asset and Return on Asset (ROA). As for independent variables such as Total Loan to Total Asset and Deposit to Total Asset still Conventional Bank is leading rather than Islamic Bank.

Keywords: Islamic banks, conventional banks, profitability