



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

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DECEMBER 2017

ACKNOWLEDGEMENT

First and foremost, all praises given to Allah SWT Almighty for giving me strength to complete this research paper on time. Then, I would like to express my deepest appreciation to those who provided me the possibility to complete it with comfort mostly my family and loved one, by giving me endless support and love through moment's times of turbulence. Besides, a special gratitude also I give to my final year advisor Madam Flicia Rimin, for the valuable and constructive suggestion during the planning and development and not forget to help me to coordinate my project especially in writing this research paper. Furthermore, she willing to guide me and giving his time so generously that I really appreciated. Furthermore, I like to thank all of my past and present finance lecturers and those who built the foundation of finance and the ones who put their efforts in strengthening them. For sure, without them I don't think that I can do this research paper with only my own knowledge. Last but not least, I would like to acknowledge with much appreciation the crucial role of the staff from account department in my internship place who gave the permission to use any required materials and equipment in order to complete my task. Finally, a very special thank also goes to my fellow classmates and friends who's willing to help me assemble the parts and gave suggestion about the task either direct or indirectly until it perfectly complete.

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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