DETERMINANTS OF MALAYAN BANKINGS' PROFITABILITY LEVEL IN MALAYSIA

FATIN NABILAH BT ZAIRUL WESHAM
2012410406

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR.

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ABSTRACT

In general, the Malaysia banking system much stronger position compared to the Asian financial crisis. Moreover, the Malaysian banking system operates within a diversified financial system with a develop capital market. Factors like inflation, base lending rate, gross domestic product and exchange rate give different impact on bank profit in different economies. So, have been many of findings analytical studies on profitability performance of the commercial banks. For that reason, this research intends to fill the gap attempting to identify and measure factors that determine the profitability performance of commercial banks in Malaysia. The objective is to study the relationship between macroeconomic variables towards profitability level. The dependent variable is return of asset and the independent variables to be used are inflation rate, base lending rate, gross domestic product and exchange rate.The quarterly basis of time series data of the variable will be collected from Data Stream and covers the period from 2005 until 2014.The test in Eviews will be used in order to know about the relationships between the dependent and the independent variables that has been chosen such as stationary test, correlation analysis, regression analysis, F-test, Coefficient of determination R^2 and test on assumptions (normality test, auto-correlation test, heteroscedasticity test, multicollinearity test and RAMSEY test).

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

In this chapter will be discuss the background of study, problem statement of study, research question, research objective, significant of study and summary in Chapter 1. This research is focused on the relationship between macroeconomic indicator and bank profitability level.

In the background study and as mentioned above, this research will discuss about dependent and independent variables. Dependent variable in this study is the Return on Asset and the independent variables are inflation rate, base lending rate, gross domestic product and exchange rate.

The research question in this chapter will discuss about the question related to the theoretical framework. There are two (2) types of research question, firstly is main research question and secondly are specific research questions. The main research question is related to the dependent variable that is the important or basic research in this study. The specific research question is the supportive of the main research question.

Research objective is divided into two (2). First, the main research objective and second is the specific research objectives. In this chapter, this research will also give the information about the important of the study for some parties such as government and individual. It will cover in significance of study.