BACHELOR OF BUSINESS ADMINISTRATION (HONS) ISLAMIC BANKING

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

DECLARATION OF ORIGINAL WORK

I, NURAIHAN BT MOHD @ NURJAB, (I/C NUMBER:

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specially acknowledged.

Signature: _

Date: 27/4/2011

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ABSTRACT

Starting with the establishing of the Malaysia's first Islamic bank namely Bank Islam Malaysia Berhad (BIMB) on 1 March 1983, the Islamic banking system has shown better development and widely accepted by muslims as well as non-muslim in this country. Islamic Banking System which follows the rule of Shariah, play very important role in Malaysia as its profitability contributes to the well economy growth in this country. Therefore, the research is conducted in order to examine the determinants of profitability for Conventional institution (RHB bank) and Islamic Banking Institutions (RHB ISLAMIC bank) in Malaysia which are listed in the Bursa Malaysia. The bank-specific determinants (internal factors) include of capital adequacy, credit risk, liquidity, bank size and expenses management are to be used to identify the relationship each of them with return on asset. The methodology employs include Generalized Least Square (GLS) panel data analysis. This data is measured in period 2000-2009. Using the data in annual report, the paper finds that only bank size shows very strong explanatory powers towards the level of profitability with the positive relationship.