



**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGY MARA (UiTM)**

Degree in Finance

(BM 242)

Title:

**DETERMINANT OF ISLAMIC BANKING INSTITUTIONS' PROFITABILITY
IN MALAYSIA**

Prepared by:

NURUL NAJWA BINTI YAHYA

(2014802934)

Faculty of Business Management

Universiti Teknologi Mara (Uitm)

Segamat

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DECEMBER 2016



DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

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“DECLARATION OF ORIGINAL WORK”

I, Nurul Najwa binti Yahya (I/C Number:920823095058)

Hereby, I declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently for this degree or any other degree
- 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 specifically acknowledged

Signature:_____

Date:_____

LETTER OF SUBMISSION

December 2016

Madam Shashazrina binti Roslan

Department of Finance

School of Business and Management

UiTM Johor, Segamat, Johor

85000 Segamat

Johor, Malaysia

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**Determinant Of Islamic Banking Institutions' Profitability In Malaysia**” to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours sincerely,

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(NURUL NAJWA BINTI YAHYA)

ABSTRACT

The aim of this study is to examine the Islamic bank's profitability in Malaysia over the time period from 2012 to 2015 which is 4 years period of study. This paper was selected 10 Islamic banks in Malaysia. The bank profitability is measured by Return on Equity (ROA) which is to look at the profitability of the bank. There have five selected independent variables in this study that consist of bank size, operational efficiency, liquidity, credit risk and capital adequacy. This study used multiple regression model represented by the ordinary least squares (OLS) since the result shows it better than panel data regression model as the technique to look factor that affect the Islamic Bank's profitability in Malaysia. The result shows that only bank size and operational efficiency have a positive relationship and significant effect on bank probability. Therefore, another independent variable shows negative relationship and not significant. These results suggest that banks can improve their profitability through increasing bank asset and decreasing loan to debt and credit risk.