

**DETERMINANTS OF
CONVENTIONAL AND ISLAMIC
BANKS PROFITABILITY IN
MALAYSIA: EVALUATION OF
INTERNAL FACTORS**

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of the requirements for the degree of
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Faculty of Business Administration

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA Johor. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA Johor, regulating the conduct of my study and research.


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ABSTRACT

The issue regarding measuring and managing the bank performance are always on the agenda due to critically important roles of the bank. The purpose of this study is to compare the profitability between the conventional and Islamic bank in Malaysia. Furthermore, the researcher also wants to find the relationship between the factors towards the conventional and Islamic bank in Malaysia. Thus, find out the most factors that give the huge impacts on the banks profitability. The profitability of the bank is being measured by dependent variables which is return on asset (ROA) and influenced by the independent variables such as banks size, deposit ratio, capital adequacy, management efficiency and financial leverage. Based on findings shows that Islamic bank is more profitable than conventional bank. The findings also supported by Ibrahim (2015) and Ramlan & Adnan (2016) Both result showed that Islamic banks is more profitable compared to conventional banks on overall performance by using z-score test and regression test respectively. The study is carried out over 5 year's period that is from 2012 to 2016. The method of this study referred to F-test model, correlation and regression. From this study, we used secondary data and the data are collected from selected bank website in Malaysia. We used sample of 6 conventional banks and 6 Islamic banks established in Malaysia. Thus, the analysis of this paper can be used by the bank managers, investors, customers to make an evaluation of internal factors that can affect the bank's profitability.

Keywords: Banks profitability, Return on asset, Conventional banks, Islamic banks, Malaysia