



**THE FACTORS THAT AFFECT THE PROFITABILITY PERFORMANCE OF ISLAMIC
BANKING INSTITUTIONS IN MALAYSIA**

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KAMPUS BANDARAYA MELAKA

JULY 2014

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BANKING INSTITUTIONS IN MALAYSIA**

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**Submitted in Partial Fulfilment of the
Requirement for the
Bachelor of Business Administration with Honours (Finance)**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KAMPUS BANDARAYA MELAKA**

JULY 2014

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

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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 our independent work and investigations, except where otherwise stated.
- All verbatim extract have been distinguished by quotation marks and sources of our information have been specially acknowledged.

Signature: _____
(SRI FARAH AIN BINTI SHAIB)

Date: _____

Signature: _____
(SYAZANA BINTI ABD AZIZ)

Date: _____

LETTER OF SUBMISSION

JULY 2014

The Head of Program
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Faculty of Business Management
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Dear Sir/Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**THE FACTORS THAT AFFECT THE PROFITABILITY PERFORMANCE OF ISLAMIC BANKING INSTITUTIONS IN MALAYSIA**” to fulfil the requirements as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours sincerely,

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ABSTRACT

This study is able to determine the factors that affect the profitability performance in Islamic Banking in Malaysia that cover thirteen years period starting in year 2000 until 2013. The data has been analyzed to determine the factors that affect profitability of Islamic banking institutions. Meanwhile, to identify the factors of its profitability, the Least Square Method has been used. All the data had been obtained from secondary sources through published journal, books, working papers, annual bank report and etc. Malaysia has been proved to be the at the forefront of Islamic banking and finance in the world wide. There are gaining popularity among non-Muslim across the globe due to its wider product and services. Hence, this study is carried out to identify the factors that affect the profitability performance of Islamic Banking Institutions in Malaysia. Based on the findings, financing, capital and fuel price are significantly determinants impact on Islamic banks' profitability. Financing is positively related while capital and fuel price are negatively to Islamic banks' profitability. Meanwhile the other determinants such as cost management, cyclical output (GDP growth rate and GDP deflator (the expectation of inflation) are do not significantly to Islamic banks' profitability in Malaysia. As a conclusion, it is hoped this study can give better knowledge and understanding to Islamic Banking institution and new factors would identified that can be taken to determinants of influences in profitability Islamic Banking institutions in Malaysia.