

**UNIVERSITI TEKNOLOGI MARA,
JOHOR BRANCH, SEGAMAT,
JOHOR**

**DETERMINANTS OF ISLAMIC
BANKS PROFITABILITY IN
MALAYSIA**

**UMMI FARHA NADHIRA BINTI MOHAMED
FAROUK
2014352051**

Thesis submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Finance)**

Faculty of Business Administration

December 2017

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA, Johor Branch, Segamat Campus. 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 Branch, Segamat Campus, regulating the conduct of my study and research.

Name of Student : Ummi Farha Nadhira binti Mohamed Farouk

Student I.D. No. : 2014352051

Programme : Bachelor of Business Administration (Hons) Finance

Faculty : Business Management

Thesis : Determinants of Islamic Banks Profitability in
Malaysia

Signature of Student : 

Date : 21 December 2017

ABSTRACT

Islamic banking are one of the source of contribution to the economy in Malaysia since the establishment of the Malaysia's first Islamic bank namely Bank Islam Malaysia Berhad (BIMB) in 1983. Since Malaysia is one of the countries that have implemented the concept of Islamic finance in its banking industry, the Islamic banking system is widely accepted by Muslims as well as non-Muslim and shown a better growth in this country. Malaysia has been successful implement a dual banking system where the full-fledge Islamic banking system are operated on a parallel basis with the conventional banking system. The positive development of Islamic banking system are contribute to this study. This study was conducted to examine the determinants of profitability for Islamic Banking institutions in Malaysia which are listed on the Bursa Malaysia. The gathered data were from 8 Islamic banks operating in Malaysia with the period of study 6 years started from 2010 to 2015. The Islamic Banking Institutions that are been selected are consists of 8 institutions which is Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB), Affin Islamic bank, Alliance Islamic bank, CIMB Islamic, Maybank Islamic, Public Bank Malaysia Islamic, and RHB Islamic bank. All those 8 Islamic Banking Institutions are included as a sample because it is among the popular Islamic Banking in Malaysia and because of the availability of data. The bank profitability are measured by Return on Asset (ROA) and the bank specific determinants are consists of Bank size, capital adequacy, liquidity, credit risk, and expenses management. This study are analyse using Panel data.

ACKNOWLEDGEMENT

Firstly, I wish to thank Allah s.w.t for giving me the opportunity to embark on my thesis and for completing this long and challenging journey successfully. My gratitude and thanks go to my supervisor Miss Nurulashikin Bt Romli and Puan Nik Nur Shafika Bt Mustafa.

My appreciation goes to my family who always support and give all their effort for me to accomplish my thesis. Special thanks to my colleagues and friends for helping me with this project.

Finally, this thesis is dedicated to my parents because they are my number one sources to succeed and their determination to educate me. This piece of victory is dedicated to both of you. Alhamdulillah.

TABLE OF CONTENT

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	1
LIST OF TABLES	4
LIST OF FIGURES	5
LIST OF SYMBOLS	6
LIST OF ABBREVIATIONS	7
CHAPTER ONE INTRODUCTION	8
1.1 Introduction	8
1.2 Research Background	9
1.3 Problem Statement	10
1.4 Research Questions	11
1.5 Research Objectives	12
1.6 Significance of the Study	12
1.7 Scope of the Study	13
1.8 Limitation of the Study	13
1.9 Definition of Terms	13
1.10 Summary	14
CHAPTER TWO LITERATURE REVIEW	15
2.1 Introduction	15
2.2 Islamic banking profitability	15
2.3 Bank size	16
2.4 Liquidity	17
2.5 Capital adequacy	18
2.6 Credit risk	19
2.7 Expenses management	20