



**FACTORS DETERMINANTS THE BANKS PROFITABILITY IN MALAYSIA:  
CASE OF ISLAMIC BANKING**

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## DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION  
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## ABSTRACT

There are a lot of studies that have been conducted by previous researchers to investigate the determinant of profitability of a conventional banking. Because of there is too much studies on conventional banking, a less studies made on Islamic banking. Thus , the objective of this study is to determine the factors of the profitability of Islamic banking in Malaysia, through the period of 2010 to 2017. To determined the profitability, there are two factors, which are internal factors and external factors. Researcher will use the first one, internal factors, which is bank-specific determinant which include capital ratio, liquidity, and financial risk. To measure the profitability of Islamic banking, researcher use return on assets (ROA) indicator since it shows the profitability of an assets after deducting all the expenses and taxes. In this research paper, researcher used panel data by Stata software to run the data. For the unit root test, researcher used three types of tests, which are Levin-Lin-Chu (LLC) test, Breitung test, and Im-Pesaran-Shin (IPS) test. Based on that, the result shows that capital ratio and liquidity have a positive relationship towards bank's profitability, while there is negative relationship between financial risk and profitability of banks. A little recommendation for future researcher to study on more determinants so that there will be produce a valuable research with a new result.

**Keywords:** Profitability, Islamic banking, Bank-specific characteristics, Capital ratio, liquidity, financial risk, Return on assets (ROA), stata software, panel data, LLC, Breitung, IPS, Determinants.