



**THE DETERMINANTS OF MICRO FINANCING PROFITABILITY:  
A CASE STUDY IN BANK RAKYAT KULIM**

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## LETTER OF TRANSMITTAL

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Dear Sir/Madam,

### **SUBMISSION OF PROJECT PAPER (FIN 667)**

It is my pleasure that I present my thesis entitled "THE DETERMINANTS OF MICRO FINANCING PROFITABILITY; A CASE STUDY IN BANK RAKYAT KULIM" for your kind evaluation to fulfill the requirement needed by Faculty of Business Management.

Thank you.

Yours faithfully,

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## ABSTRACT

*Micro financing in Malaysia have experienced a considerable growth over the last few years in terms of the number of financial institutions that offered micro financing product and the increase in the number of small entrepreneur that use micro financing as a method to finance their business. A higher growth can be expected as the increase in the amount of disbursed month by month which prove that micro financing product can bring high profit in future to the financing institutions. As a matter of fact, financial institution with Islamic product is highly preferred by borrower who in need of financing. Therefore, this paper investigates the determinants of micro financing profitability in one of the well known fully Islamic financial institution in Malaysia which is Bank Kerjasama Rakyat Malaysia Berhad (Kulim branch). This is done by measuring the micro financing profit in Bank Rakyat Kulim for the period of January 2010 to August 2012. Analysis reveals that the micro financing profit experienced positive monthly return from January 2010 until August 2012. Multiple regression analysis indicates that the determinants which are consumer price index, base financing rate and inflation rate was significant and positively related to the performance of Micro financing profit whereby unemployment rate was insignificant and shows negative relationship towards micro financing profitability of Bank Rakyat Kulim.*

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I sincerely hope that this research can give us useful information about the knowledge in Micro financing industry which hopefully can benefit us in the future time. Any defects and errors remain mine.

Thank You.

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