

UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF COMMERCIAL BANK
PROFITABILITY IN MALASYIA**

**RABI'ATUL ADAWIYAH BINTI GANI
2017683858**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE**

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DECLARATION OF ORIGINAL WORK

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Name of Student : Rabi'atul Adswiyah Binti Gani

Student I.D. No. : 2017683858

Programme : Bachelor of Business Administration (HONS) Finance
BM242

Faculty : Business Administration

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in Malaysia

Signature of Student :

Date : [Click here to enter text.](#)

ABSTRACT

The study examined the determinants of local and foreign commercial banks by identifying the bank specific and macro-economic metrics such as capital adequacy, credit risk, liquidity risk, inflation rate, GDP growth and management efficiency, and most of those were main factors for ROE 's profitability. The key purpose of this work would be the impact of global financial crisis on the profitability trend of the local and foreign commercial bank in Malaysia whether internal factors such as management efficiency or external factors in which the macroeconomics factors give the most impact on the different levels of profitability. The panel data set was used to conduct an empiric analysis of seven local and foreign commercial banks. The database of the World Bank and the annual report of each commercial bank are the key sources of information for this research. The regression analysis has shown that management efficiency is the most crucial component for both commercial banks followed by capital adequacy, liquidity risk, credit risk and inflation have impacts on the local commercial bank profitability. Meanwhile, the foreign commercial bank having management efficiency and credit gives significant effect on the profitability of the bank measured by ROE. Out of the all variables, GDP still did not have any empirically significant on profitability. In relation to the outcomes, several ideas may work to strengthen and improve the soundness and effectiveness of banking industry in Malaysia. Therefore, this research reconciled a vital gap in the literature by gaining better understanding on commercial bank profitability in Malaysia.

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