



BANK-SPECIFIC & MACROECONOMIC  
DETERMINANTS OF COMMERCIAL  
BANKS PROFITABILITY  
IN MALAYSIA

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<b>TABLE OF CONTENTS</b>	<b>PAGES</b>
TITTLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xi

**CHAPTER 1: INTRODUCTION**

1.1	Background of Study	1-2
1.2	Problem Statement	3-6
1.3	Research Objectives	7
1.4	Significance of Study	8-9
1.5	Limitation of Study	10
1.6	Summary of Chapter	11

**CHAPTER 2: LITERATURE REVIEW**

2.1	Relevant Theoretical Model	12
2.1.1	Risk-Return Theory (1952)	12
2.1.2	Economies of Scale Theory (1974)	13
2.2	Return on Asset as Indicator to Measure Profitability	14
2.3	The Relationship Between Capital Adequacy With Bank Profitability	15



2.4	The Relationship Between Bank Size With Bank Profitability	16
2.5	The Relationship Between Inflation Rate With Bank Profitability	16-17
2.6	The Relationship Between Interest Rate Spread With Bank Profitability	17-18
2.7	Theoretical Framework	19
2.8	Summary of Chapter	20

**CHAPTER 3:            METHODOLOGY**

3.1	Data	21
3.2	Empirical Model	22
3.3	Measurement of Variable	23
	3.3.1 Return on Asset	23
	3.3.2 Capital Adequacy	23
	3.3.3 Bank Size	24
	3.3.4 Inflation Rate	24
	3.3.5 Interest Rate Spread	25
3.4	Estimation Procedure	26
3.5	Hypothesis	27
3.6	Software	28
3.7	Flow of Research Methodology	29
3.8	Summary of Chapter	30

## ABSTRACT

This paper studies on the bank-specific and macroeconomic determinants of commercial banks profitability in Malaysia. This paper consists of 4 types of independent variables which are capital adequacy, bank size, inflation rate, and interest rate spread. Capital adequacy and bank size is the bank-specific determinants, while inflation rate and interest rate spread is macroeconomic determinants. In term of dependent variable it focus on return on assets. Data comprises of 6 years which is from 2007 until 2012 and consists of 13 commercial banks that will be involved in this study. Based on the finding, only capital adequacy shows significant relationship with return on assets. However, bank size shows insignificant relationship with return on asset. Other than that, inflation rate and interest rate spread shows insignificant relationship with return on assets. Capital adequacy, bank size and interest rate spread also shows positive relationship with return on asset. However, inflation rate shows the negative relationship with return on asset. In conclusion, only capital adequacy reject the hypothesis null according to the finding. While bank size, inflation rate and interest rate spread failed to reject hypothesis null.

**Keywords: Bank profitability, Return on Asset, Capital Adequacy, Bank Size, Inflation Rate, Interest Rate Spread**