



**THE DETERMINANT OF COST EFFECIENCY OF ISLAMIC  
BANK IN MALAYSIA**

**NURUL NAGIHA BINTI SAPUAN**

**2013823132**

**BACHELOR OF BUSINESS ADMINISTRATION  
(HONS) FINANCE  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
SEGAMAT, JOHOR.**

**JUNE 2016**

## ACKNOWLEDGEMENT

In the name of God, the Most Gracious, the Most Merciful, Alhamdulillah thanks Allah as He ease my way to complete this final project on time.

Besides, I would like to express my sincere thanks to my supportive advisor, Miss Sharazad Haris. Thanks to her for sharing expertise and valuable guidance in order for me to finish up this project.

In addition, I take this opportunity to express gratitude to all Department faculty members and librarian in Uitm Segamat for their help and support. I would also want to thank my parents, my brothers, my family and my dear classmates as they are the one who keeps encourage, support me and believe with me in everything that I do.

Last but not least, thanks to everyone who involved directly or indirectly and those who lent their hand during the process to finish up this study. I appreciate it.

With all your sacrifices' and kindness towards me, may Allah give you something bigger as reward in future and may this project can give benefit to others in various way in sha Allah.

Sincerely,

A redacted signature consisting of three thick black horizontal bars stacked vertically, with a dotted line extending from the bottom bar to the right.

(NURUL NAGIHA BINTI SAPUAN)

UiTM Segamat

## TABLE OF CONTENT

<b>CHAPTER 1: INTRODUCTION</b> .....	1
<b>1.1 Introduction</b> .....	1
<b>1.2 Background of Study</b> .....	2
<b>1.3 Problem Statements</b> .....	7
<b>1.4 Research Objective</b> .....	8
<b>1.4.1 Main Research Objective</b> .....	8
<b>1.4.2 Specific Research Question</b> .....	8
<b>1.5 Significance of Study</b> .....	8
<b>1.5.1 Society</b> .....	8
<b>1.5.2 Government</b> .....	8
<b>1.5.3 Future Researchers</b> .....	9
<b>1.6 Limitation of Study</b> .....	9
<b>1.6.1 Time Constraint</b> .....	9
<b>1.6.2 Limitation of Data Availability</b> .....	9
<b>1.6.3 Accuracy and Reliability of Data</b> .....	9
<b>1.7 Scope of Study</b> .....	10
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	11
<b>Literature Review on Topic</b> .....	11
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	17
<b>3.1 Introduction</b> .....	17
<b>3.2 Sample of data</b> .....	18
<b>3.2.1 Data Collection</b> .....	18
<b>3.2.1.2 Electronic Sources</b> .....	18
<b>3.2.1.3 Journal &amp; Articles</b> .....	18
<b>3.2.2 Variables</b> .....	19
<b>3.2.2. Dependent Variable</b> .....	19

3.2.2.2	<u>Independent Variables</u> .....	19
3.3	<u>Theoretical Framework</u> .....	20
3.4	<u>Research Design</u> .....	21
3.4.1	<u>Purpose of study</u> .....	21
3.4.2	<u>Types of investigation</u> .....	21
3.4.3	<u>Research interference</u> .....	21
3.4.4	<u>Study setting</u> .....	21
3.4.5	<u>Unit of analysis</u> .....	21
3.4.6	<u>Time horizon</u> .....	21
3.5	<u>HYPOTHESIS</u> .....	22
3.6	<u>STATISTICAL / ECONOMETRIC METHOD</u> .....	23
3.6.1.	<u>Stationary Test</u> .....	23
3.6.2.	<u>Normality Test</u> .....	23
3.6.3.	<u>Correlation Analysis</u> .....	24
3.6.4.	<u>Regression Analysis</u> .....	24
3.7.	<u>Test on Assumption</u> .....	25
	<u>CHAPTER 4: DATA ANALYSIS</u> .....	27
4.1.	<u>Descriptive Analysis</u> .....	27
4.2.	<u>Stationary Test</u> .....	28
4.3.	<u>Correlation Analysis</u> .....	31
4.4.	<u>Multicollinearity Analysis</u> .....	32
4.5.	<u>Regression Analysis</u> .....	33
4.5.1	<u>White Test Analysis</u> .....	34
4.5.2.	<u>Heteroskedasticity Test</u> .....	35
4.6.	<u>Generalized Least Square</u> .....	36
4.6.1.	<u>Fixed Effect (Cross Section)</u> .....	36
4.6.2	<u>Fixed Effect (Period)</u> .....	37

## **CHAPTER 1: INTRODUCTION**

### **1.1 Introduction**

Aim of this study is to examine the cost efficiency of Islamic Bank in Malaysia. Through this chapter, it will be discussing on background of the study, problem statement, research objectives, significance of study, scope of study and variables used in this study.

This study provided two parts of research objectives, main research objective and specific research objectives. Main research objective depends on the dependent variable which is the main core of this research study. The main research objective is aim to guide the study and have been support by specific research objectives.

Besides, this chapter also explain briefly background of the study including what is Islamic Banking, the growth of Islamic banking in different countries, development of Islamic Banking in Malaysia, importance of efficiency in determine banking's performance, importance of efficiency, types of efficiency and several information related to the specification of this study.