



**THE FACTORS OF PROFITABILITY OF BANKING SECTOR
IN MALAYSIA**

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ABSTRACT

The aim of this study is to determine the factors driving the profitability of Islamic and conventional banks in Malaysia. Return on Asset (ROA) is used to measure the profitability of banks. The determinants used are divided into two categories; the bank-specific characteristics and macroeconomic characteristic. The bank-specific characters are liquidity, asset management and bank capital and macroeconomic is GDP. Secondary data was collected from 10 Islamic banks and 10 conventional banks in Malaysia from year 2008 until 2010. The financial ratios technique was applied to calculate on these variables and Pooled Ordinary Least Square (POLS) was used to run the regression model. The estimation result indicates that liquidity, asset management and bank capital are significantly influence the bank profitability while GDP have a negative relationship with ROA. For future researchers, it is recommended to use other variables since there are a lot of factors influencing the performance of bank.

Keywords: Profitability, ROA, Liquidity, Asset Management, Bank Capital, GDP