DETERMINANTS OF COMMERCIAL BANKS PROFITABILITY IN MALAYSIA

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ABSTRACT

The objective of study is to identify the determinants of commercial banks profitability in Malaysia. The panel data methods is apply into this paper and taking consideration of annually data for (17) years from 1997 to 2013 for six (6) domestic bank in Malaysia. As a reference from Bank Negara Malaysia (BNM), from all 27 commercial banks in Malaysia which owned by 19 foreign and 8 domestic banks only six domestic commercial banks has been selected. This is due to a limitation from several data. The selected commercial banks comprise with Malaysian Banking Bhd (Maybank), RHB Bank Bhd, Public Bank Bhd, Ambank Bhd, Alliance Bank Bhd, and Hong Leong Bank. The reasons of this study because of several issue has arise such as to know the factor which affected the commercial banks is so successful and to identify the outstanding performance of domestic commercial banks in Malaysia. Thus, the study is classified the determinant based on internal and external factor. The internal factor is comprised with Capital, Bank Size and Loan while the external factor consists with Gross Domestic Product (GDP) and inflation. The data collection is obtained from Osiris, Bankscope and World Bank Data. Based on the finding and analysis the study has analyzed using Pooled Ordinary Least Square (POLS) regression. The result has indicates that only Capital and Bank Size is significantly related with Return on Asset (ROA) whereby the GDP growth rate is positive but insignificant towards ROA.

Key words: *ROA; Capital; Bank Size; POLS*

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