



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANT THAT INFLUENCING
THE PERFORMANCE ISLAMIC BANKS IN
MALAYSIA**

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ABSTRACT

In these studies, is to determine the key influencing the performance of Islamic banking in Malaysia by using return on assets (ROA) as the dependent variable. The study focuses on loan loss provision to total assets, net loans to total assets, total overhead cost to total assets, shareholders equity ratio, bank size, gross domestic product (GDP) and inflation. The study's goal will be to examine the performance of the fifteen (15) Islamic banks in Malaysia that may employ panel specifics in terms of ROA in the period of 2011 to 2020. In fact, our data assessment methodology, as well as all associated material pertinent to this study, such as the annual reports of each of the Islamic banks, DataStream, and EViews, will be implemented in this study. The Pooled Ordinary Least Squares (OLS) Model is used to regress the balanced panel data. The result for this study shows that net loan to total assets, total overhead cost to total assets, shareholders' equity ratio, bank size, gross domestic (GDP) and inflation have significant relationship with the performance of the Islamic bank in Malaysia.

Keywords: Bank size, gross domestic product (GDP), inflation, Islamic banking, loan loss provision to total assets, net loans to total assets, return on asset, shareholders equity ratio and total overhead cost to total assets.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The purpose of this study is to look into the key impact of performance Islamic banking in Malaysia. This chapter will briefly cover the background of study, problem statement, research question, research objective, significant of the study, scope, and limitations of study, as well as provide a quick definition of key terms and a summary of chapter one. To recapitulate, this study will include a total of five chapters. The first chapter will discuss the introduction to this research, the second chapter will discuss the literature review of the research from previous studies conducted by other researchers, the third chapter will discuss the research methodology, the fourth chapter will explain the study's results and findings, and the fifth chapter will summarize and describe the research's conclusions and recommendations.

1.2 Background of the study

Every country has financial institutions that reflect the government's financial policies and oversee economic development and money management. All funding capital is managed and controlled by financial institutions. The presence of financial institutions contributes to the growth of a country's economic operation. Malaysia now has three types of financial institutions which are conventional banking, investment banking, and Islamic banking. The phenomenal growth of Islamic financial institutions over the last two decades is interesting. Furthermore, Islamic finance has the potential to serve both the world's rising 1.7 billion Muslim population and an increasing number of interested non-Muslim clients. (Nourrein & Mennawi, 2020). From 2012 to 2017, Islamic financial assets increased by 6% to US\$ 2.44 trillion, with additional growth