



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF BANKS PROFITABILITY IN
MALAYSIA**

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ABSTRACT

The purpose is to determine the factors that influencing the profitability of the selected banks in Malaysia. Profitability is the main factor that can determine the bank's stability to survive in the long run and the research will be done by investigating the internal and external factors that can impact the bank's profitability. Therefore, the objective of this paper is to investigate the profitability of the selected banks in Malaysia. There are four independent variables will be examined to determine their relationship with bank's profitability and the data collected is from year 2009 until 2019. The study intends to carry out the determinants that influence the stability of the banks to enhance the profitability of the banks. Banks always has a problem in determining the main factor that influences their profitability and it has been an argument that profitability is the main factor that determines the survival of the company to survive in a long run. It's also one of the main contributors for a developing country such as Malaysia. Therefore, the study is to evaluate the determinants that influence the bank's profitability and find the relationship between size of the banks, bank's efficiency, liquidity, economic condition as the independent variables and the return on asset as the dependent variable. A quantitative analysis by analysing the data collected from 2009 until 2019 by using Pooled Ordinary Least Square.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In Chapter 1, it generally describes the analysis that will be done in this research. The subtopics explain the general context of this research. It includes the statement, the background of this research, the issues from the research, the objectives of this research, hypothesis statements for this research, the significance of the study which generally introduces the general information of this study. The problem statements concerning on the selected variables that may influence the profitability of the bank which is also may be one of the factor in developing the countries profitability.

All variables, hypothesis questions and analysis about the topic included. In conclusion, this chapter is an overview for the topic given and the significance and limitation of this research also included in this chapter.

1.2 BACKGROUND OF THE STUDY

The purpose of this research is to determine the factors that influencing the profitability of the selected banks in Malaysia. Profitability is the main factor that can determine the bank's stability to survive in the long run and the research will be done by investigating the internal and external factors that can impact the bank's profitability. Basically, it measures the efficiency of a firms or business in comparison to an alternative investment, their capacity to provide a return on an investment depending on its resources.

Therefore, the objective of this paper is to investigate the profitability of the selected banks in Malaysia. Theoretical evidence is shown in this paper that financial institutions gain from bank size, bank's efficiency, liquidity, and economic condition prospects. It will also improve current knowledge and comprehension. There are four independent variables will be examined to determine their relationship with bank's profitability and the data collected is from year 2009 until 2019.

Thus, this research also aims to increase the existing knowledge and understanding regarding to the topic. In previous research, (Ali et al., 2018) A firm that is not profitable will