



UNIVERSITI TEKNOLOGI MARA

**FACTOR AFFECTING BANK PERFORMANCE IN
MALAYSIA**

**NAQIBAH BINTI MOHD NOOR ROSLAN
2020992971**

Final Year Project submitted in fulfillment of
the requirements for degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

This study intends to investigate the factors that influence bank performance in Malaysia, and the data covers a ten-year period from 2011 to 2020. There are many aspects that might influence a company's financial success, and this study will look at several of them. The net profit margin (NPM), loan to deposit (LTD), capital adequacy ratio (CAR), and bank size are the four major subjects that will be discussed in this study. In this study, a multiple regression model is used to investigate the relationship between each independent variable and the dependent variable, profitability, which may be measured using return on assets. The data for this study was gathered during a ten-year period, from 2011 to 2020, from the annual report. This study also benefits researchers by allowing them to collect data in a more systematic way. It also helps in predicting future performance between these firms, considering there is currently no solution for this condition, and comparing which performs better in the future. According to the findings of this study, all variables have a significant impact on the return on asset.

Keywords: Financial Performance, Return on Asset, Net Profit Margin, Loan to Deposit, Capital Adequacy ratio and Bank Size.

ACKNOWLEDGEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

First and foremost, praise and appreciation to Allah for showering his blessings on me during my study effort, allowing me to successfully complete the study.

I do like to convey my heartfelt thanks to Madam Zuraidah binti Ahmad, my lecturer, for allowing me to complete my work and for providing me with vital help during this study. Her energy, vision, genuineness, and motivation have all left an indelible impression on me. She has given me the approach for conducting the study and reviewing the findings as thoroughly as feasible. Working and studying under her direction was a wonderful honour and privilege. I am appreciative for everything he has done for me. I also want to express my gratitude for her empathy and humorous sense of humour. During this study effort, which is research studies, I am expressing my sincere greetings.

I am grateful to my parents for their love, prayers, care, and sacrifices in teaching and preparing me for the future, as well as for providing me with advice, inspiration, and support in completing this study. Thank you to all my friends for continuing to show interest in completing this study successfully.

TABLE OF CONTENTS

	Page
AUTHOR'S DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENT	iv
LIST OF TABLES	vii
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	vii
CHAPTER ONE	
INTRODUCTION	
1.1 Introduction	1
1.2 Background of the Study	1
1.3 Problem Statement	2
1.4 Research Questions	3
1.5 Research Objectives	4
1.6 Significance of the Study	4
1.7 Scope of the Study	4
1.8 Limitations of Study	5
1.9 Definition of Key Terms	6
1.10 Summary	6
CHAPTER TWO	
LITERATURE REVIEW	
2.1 Introduction	8
2.2 Return on Assets (ROA)	8
2.3 Relationship Between Loan to Deposit (LTD) and performance of commercial banks in Malaysia	9
2.4 Relationship Between Capital Adequacy Ratio (CAR) and performance of commercial banks in Malaysia	9
2.5 Relationship Between Bank Size (SIZE) and performance of	10

CHAPTER 1: INTRODUCTION

1.1 Introduction

In general, chapter 1 describes the desired analysis that was carried out on some subtopics that are the specific frame of reference of this study is the background of the study, problem statement, research question, research objective, significance of study, scope of study, limitation of study, definition of key terms and finally the summarization in this chapter. This chapter also will introduce the independent variables for the selected firms that affecting the performance of banks in Malaysia. The goal of this investigation will be set down the research's analysis questions and conclusions will be published as well. In the sub-topics of the study's value, the relevance and contribution of the study will be examined in further depth. Finally, Chapter 1 will provide an overview and context for the next chapter, which is a review of the literature.

In overall, there will be five chapters: Chapter 1: Research Overview, Chapter 2: Literature Review, Chapter 3: Methodology, Chapter 4: Data Analysis, and Chapter 5: Discussion, Conclusion, and Implications. The study compares the performance of commercial banks in Malaysia in terms of profitability performance in specific banking sectors. This study looks at the impact of performance on Loan to Deposit (LTD), Capital Adequacy Ratio (CAR) and bank size in commercial banks. It also figures out how they affect the performance of this types of banks. This study will involve seven (7) commercial banks in our country to evaluate the information through various sources including Annual Report, Thomson Reuters DataStream and EViews.

1.2 Background of Study

A country's banking system is the most essential part of its financial system. Thonse et. al., (2017) found today's world, the financial institution is unavoidable. It is crucial to a country's economic progress and forms the basis of money marketing in advanced countries. Banking operations play a significant role in a stable economic system by increasing financial resources for industrial activities, In monetary terms, bank financial performance leads studies of a firm's policies, performance, efficiency, and effectiveness. These findings are reflected in the company's return on investment,