



**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF BANK'S PROFITABILITY IN  
MALAYSIA**

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## **ABSTRACT**

Banks play a vital role in the countries and economies of the world. Profitability and efficiency are key elements for banks since they help to the financial system's stability and safeguard a country from unfavourable waves. Therefore, it is necessary to understand the factors influencing commercial banks' profitability. The main purpose of this research is to study the Determinants of Bank's Profitability in Malaysia. This research is performed using the most popular measurement tool that is Return on Asset (ROA) to examine the relationship between net interest margin, bank loan, net profit, bank size, and credit risk to bank profitability. Data collected for this analysis was obtained from the bank's annual reports. This study uses secondary data from the top five (5) commercial banks listed in Bursa Malaysia between the year 2015 to 2020 and a total of 30 years of study duration. This study uses panel data to examine the collected data and regressed using the Pooled Ordinary Least Square Model. The results of this study are focused on descriptive analysis, correlation analysis, regression analysis, and test on assumptions. Therefore, based on the study it is concluded that there is a relationship between the variables with bank performance.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Introduction

The Covid-19 pandemic has caused an unprecedented impact on public health and people all around the world. In Malaysia, the risk of the Covid-19 virus became more apparent after the first reported cases from Singapore. There are various measures and relief from the government and Malaysian authorities to help the economy as well as the efforts to prevent the virus from spreading. The announcement of the implementation of lockdown on 18th March 2020 has caused all businesses and banking institutions to suffer as they cannot operate during the lockdown. Furthermore, to prevent the downturn for the Malaysian economy, the government, as well as Bank Negara Malaysia, have implemented various fiscal and monetary policies to support the economy.

Malaysia became the first country to implement the moratorium for their people and businesses. According to Zaim (2021), the implementation of the moratorium in Malaysia is so different that it received attention from other Asian countries. It gives benefits and helps the borrowers who have difficulties during the pandemic. When the government imposed the lockdown, people are required to stay at home and it prevent the people from working and earning a salary to pay their expenses and the borrowers cannot pay their monthly loan installment. Moratorium helps and provided relief to borrowers who have financial difficulties during the pandemic.

The researchers, Somasundaram (2020) stated that a moratorium or also known as deferral package is when borrowers of the banks are not required to pay their monthly installments during a specific period. There will be no late fees or penalties for borrowers that fulfill the requirement of the moratorium. The first version of the moratorium implemented by the government is for six months starting from 1st April 2020. However, the second version of the moratorium begins on 7th July 2021 after the prime minister announced the reintroduction of the loan moratorium. This relief is for citizens and businesses who had financial difficulties because of the Covid-19