



UNIVERSITI TEKNOLOGI MARA

**BANK SPECIFIC AND MACROECONOMICS
DETERMINANTS OF BANK PROFITABILITY IN
MALAYSIA.**

**AMIR HANIFF BIN ABDUL RAHMAN
2016689798**

Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Finance)**

Faculty of Business and Management

December 2018

ABSTRACT

Banks play a crucial role in the operation of most economies. The efficiency of financial intermediation can also affect economic growth. Besides that, bank insolvencies can result in systematic crisis that would lead to system failure. Economies that have a profitable banking sector are better able to withstand negative shocks and contribute to the stability of the financial system. This study analyses the determinants of banking profitability in Malaysia for 6 selected banks. The study use descriptive statistics and ordinary least squared method with normality, multiple regression, descriptive analysis unit root test and correlation.

ACKNOWLEDGEMENT

Praise to Allah S.W.T the Lord of the universe, for the wisdom, strength and blessings given to me in completing this project paper. Peace and blessing of Allah ne upon His Messenger, Muhammad S.A.W

Firstly, I would like to express my heartfelt gratitude and appreciation to my first advisor Encik Oswald @ Timothy Edward and my coordinator Puan Nur Liyana binti Mohamed Yousop who had guided me throughout the duration of this research study. I appreciate the valuable of time, guidance, and advices she has given for the completion of this research project.

Furthermore, I would also like to thank the librarians of Universiti Teknologi MARA, Segamat Campus who have guided me directly and indirectly with new insights and ideas on the path of completing this study. Besides, I deeply appreciate the moral support, understanding and endless love in which my family have given unconditionally throughout the process.

Lastly, the cooperation and support received from all the members who under the same advisor, Amirul Syapiq, Shah Fitri, and Syakir Hashim that willing to guide me with provide the valuable information to finish this research project and all of assistance from them.

TABLE OF CONTENTS

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF SYMBOLS	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Research Background	1
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	4
1.6 Significance of the Study	5
1.7 Scope of the Study	6
1.8 Limitation of the Study	6
1.9 Definition of Key Terms	7
1.10 Summary	8
CHAPTER TWO LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Literature Review on Topic	9
2.3 Literature Review on Inflation	13
2.4 Literature Review on Gross Domestic Product(GDP)	14
2.5 Literature Review on Asset Size	15
2.6 Literature Review on Asset Quality	15

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Background of study and problem statement are two topics that will be discussed in this chapter to know what is the study all about. Then, there are also discussing on research question, research objectives, significant of the study and summary. This research is focused on the factors that affect the bank profitability in Malaysia. Besides that, this research will discuss about dependent and independent variables. Dependent variable in my study is bank profitability and independent variables are falls under two categories which are bank specific and macroeconomic factors. For bank specific, the variables are asset size and asset quality, while for the macroeconomic factors are inflation and gross domestic product(GDP). Research question in this chapter will discuss about the question related to the theoretical framework in my research. There are two (2) types of research question, which is main research question and specific research questions. Furthermore, research objective is divided into two (2). First, the main research objective and second is the specific research objectives.

1.2 Research Background

Profitability is one of the thing that people in this world are looking for when involving in any kind of business. This is because profitability can increase a person lifestyle. Starting from a human, continue with a firm or company and then to a country. The profit mentioned here is focused on the money. The profitability of a country can make any country to become more advance and make them more powerful. When a country has a lot of money, that is the reason the existence of financial intermediaries. Financial intermediaries have played a big role in each country. There is a lot of studies on the effect of the non-existence or poor performance of financial intermediaries. Extensive surveys about the role or the function of financial system and financial frictions for economic outcomes (Gertler & Kiyotaki, 2010). There is also study on the real consequences of a breakdown in financial intermediation (Gertler & Kiyotaki,