



**THE DETERMINANTS OF CAPITAL ADEQUACY OF CONVENTIONAL BANKS IN
MALAYSIA**

**NORAFIQAH BINTI NORBIK
2013675344**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA KOTA KINABALU SABAH**

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ABSTRACT

This paper aims to investigate the determinants of Capital Adequacy Ratio of Conventional banks in Malaysia since banking institutions in Malaysia are required to comply with the Risk-Weighted Capital Ratio (RWCR) requirement of 8% at all time. The eight percent of the ratio was taken as a benchmark and become the minimum of capital adequacy that specified by the Basel Committees. This paper used secondary data which is get from balance sheet and income statement from financial year report of each of bank. There consist of 8 local conventional banks where the data is collected from the year 2009 until 2014. Methodology used for this paper was Multiple Linear Regression with panel data. The independent variable involved Loan Asset Ratio (LAR), Equity Ratio (EQR), Deposits Asset ratio (DAR) and Return on Asset (ROA) meanwhile for the dependent variable is the Capital Adequacy ratio (CAR). The result obtained were significance and positive relationships between LAR, EQR, DAR and ROA with Capital Adequacy ratio (CAR).