

# EFFECT OF CAPITAL STRUCTURE TOWARDS ISLAMIC BANKS AND CONVENTIONAL BANKS PERFOMANCE

MOHD FAZIRUL AZRI BIN MOHD ZAINAL

2016689508

# BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

# FACULTY OF BUSINESS MANAGEMENT

UNIVERSITY TECHNOLOGY MARA

SABAH

JUNE 2018

### ACKNOWLEDGEMENT

Here, I would like to convey my special thanks to my advisor, Mr. Muraddin Purag who was the most lecturer that have guided me along my way of finishing my final project paper by giving support, lecture and giving a helping hand on some difficult part in finishing in this final project paper. Besides that, I would like to greet a special thanks to my coordinator program, Prof. Madya Dr. Imbarine Bujang upon giving me a chance to learn how to do the final project paper as well as given up support.

Moreover, I would like to thanks to my parents and my friend for giving me support in term of support me to complete my final year project paper. Finally, thanks given to my group member who was under Mr. Muraddin Purag supervision because give a helping hand when I really need it and sharing knowledge among us.

# **TABLE OF CONTENTS**

TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
DECLARATION	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi-vii
LIST OF FIGURES	viii
LIST OF TABLES	ix-x
LIST OF ABBREVATIONS	xi
ABSTRACT	xii

# CHAPTER 1 INTRODUCTION

1.0	Background of Study	1-2
1.1	Problem Statement	2-3
1.2	Research Question	3
1.3	Research Objective	3-4
1.4	Significance of Research	4
1.5	Scope and Limitation of Study	4-6

### CHAPTER 2 LITERATURE REVIEW

2.0	Introduction	7
2.1	Theory Associated to this study	7
2.2	Theories	7-9
2.3	Literature Review	10-15

### CHAPTER 3 DATA AND METHODOLOGY

3.0	Introduction	16
3.1	Data collection method	16
3.2	Variable	16-19
3.3	Panel data	19
3.4	Empirical model	19-20
3.5	Conceptual framework	21
3.6	Unit root test	21-23
3.7	Research hypothesis	23
3.8	Flow of research	24
3.9	Summary of chapter	25

## CHAPTER 4 FINDING AND ANALYSIS

4.0	Introduction	26
4.1	Descriptive statistic	26-29
4.2	Unit root Test	30-38
4.3	Poolability Test	38-39
4.4	Hausman test	39-40
4.5	Regression	40-43
4.6	Correlation coefficient	43-44
4.7	Diagnostic check	45-48
4.8	Hypothesis testing	49-51
4.9	Summary of chapter	51

# CHAPTER 5 CONCLUSION AND RECOMMENDATIONS

5.0	Introduction	52-53
5.1	Recommendation	53
REFERENCES		54-58

# APPENDICES

59-76

### ABSTRACT

This paper examines the effect of capital structures against conventional and Islamic banks' performance. This study conducted on period from 2011 to 2016 and using a multiple regression and panel data to evaluate their capital structure towards conventional and Islamic banks performance. Other researcher's findings disclosed that there is a positive significant relationship, negative significant relationship and others did exposed there is no relationship at all. Variable that consist in this research is debt to asset ratio, equity to asset ratio and asset growth for independent variable. While, the dependent variable is return on asset (ROA).