DETERMINANTS OF

LOCAL COMMERCIAL BANK'S PROFITABILITY:

EVIDENCE FROM MALAYSIA

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TABLE OF CONTENTS

CHAPTER THREE: METHODOLOGY

ABSTRACT

Gitman, (2007) defined that profits are a cheaper source of funds and attract external funding. Anyanwaokoro, (1996) also defined that profits reassure bank stakeholders which are investors, borrowers, managers, employees, external product and service suppliers, and regulators. Moreover, Bobáková, (2003) found that profits are not just a result but a necessary condition for a bank to be successful in a competitive environment and profitability lies at the core of the bank management key objective. This research paper will examine the determinants of bank profitability (ROA) with the four determinants which are credit risk, liquidity risk, interest rate risk, and inflation rate. There are five local commercial banks in Malaysia have been chosen to carried out this study. The duration of this research paper is from 2011 to 2018. The global financial crisis of 2007-2009 caused many researchers to investigate the profitability and efficiency of alternative banking systems in order to prevent similar financial crisis in the future. Panel regression analysis method is carried out to run the data. The result of the study indicate that only credit risk has negative significant effect toward the bank profitability (ROA) while liquidity risk, interest rate risk, and inflation rate risk have insignificant effect towards the bank profitability (ROA).