



THE EFFECT OF BANK SPECIFIC FACTORS TOWARDS PROFITABILITY:  
EVIDENCE FROM MALAYSIA COMMERCIAL BANK

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## **ABSTRACT**

Banking industry nowadays is keep growing, resulting economic also keep growing. The Banking institution becomes the major institution used by people in doing their daily transaction. It is including deposit for saving, advance payment, borrowing money, investment and many more. That is why it is very important to ensure that the performance of banking sector in the country is stable. Different bank may have different level of risk which can affect the bank's performance especially on the profitability of the bank. This study examine whether the bank specific factors effects bank's profitability on return on asset (ROA): implications of banks' performance in Malaysia. The samples are taken from commercial bank in Malaysia over the period 2010-2018. The study about the relationship between bank size, credit risk, liquidity risk, capital ratio and bank return and asset (ROA) is still limited. Therefore, study on the effect of bank specific factors towards profitability need to be conducted by taking the implication from commercial bank performance in Malaysia. The relationship could be examined by measuring the key dependent variable which is bank's profitability on ROA and the key independent variables which is the capital ratio, credit risk, liquidity risk and bank size. The estimation results show that liquidity risk and bank size significantly affect bank performance whereby the ROA has negative relationship with bank's liquidity risk and positive relationship with bank size. Hence, capital ratio and credit risk show positive relationship with ROA but not significant in result.

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