

**DETERMINANTS OF ISLAMIC BANKING
PROFITABILITY IN MALAYSIA**

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JOHOR**

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PROFITABILITY IN MALAYSIA**

FAUZIAH BINTI ABDULLAH

**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UITM, JOHOR**

MAY 2007

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
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"DECLARATION OF ORIGINAL WORK"

I, Fauziah binti Abdullah, (I/C Number: 840204-08-5766)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: Fauziah

Date: 11 May 2007

LETTER OF SUBMISSION

4th May 2007

The Programme Coordinator
Bachelor of Business Administration (Hons) Finance
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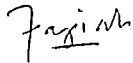
Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "DETERMINANTS OF ISLAMIC BANKING PROFITABILITY" to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA

Thank you

Yours sincerely



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ABSTRACT

This paper is analyzing the factors which contribute to the profitability of Islamic banking. The proxy for profitability are four measures of performance are used in this study which is net non-interest margin (NIM), profit margin (BTP/TA), returns on assets (ROA), and returns on equity (ROE). The set of ratios used comprises fund source management (CSTFTA), funds use management (OVRHD/TA and NIEATA), and leverage and liquidity ratios (LOANTA) represent the bank characteristic. By examines this internal indicator this could help to determine which factors have a strong relation with profitability. The samples collected for this research are taken from 2 Islamic banks in Malaysia which is Bank Islam Malaysia Berhad (BIMB) and Bank Muamalat from year 1996-2006. Using a regression analysis for this research will help to estimate the factors could bring profitability of Islamic banking. Regression results indicate a strong positive correlation between profitability and the indicators after confirms previous finding.