



THE DETERMINANTS OF PROFITABILITY
(RETURN ON EQUITY) AMONG SELECTED
COMMERCIAL BANKS IN MALAYSIA

ASHSYAHIRA NASHA BINTI ABD LATIFF
2015208348

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU

JULY 2017

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

I, ASHSYAHIRA NASHA BINN ABD LATIFF, (I/C NUMBER : 940 f12-12-5182)

Hereby, declare that:

- This work has not previously 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 acknowledge.

Signature: 

Date: 6 July 2017

TABLE OF CONTENT

	Page
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v-vi
LIST OF FIGURES	vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
ABSTRACT	x
CHAPTER 1 INTRODUCTION	
1.1 Research Background	1 - 3
1.2 Problem statement	4 - 6
1.3 Research Objectives	6
1.4 Research Questions	6
1.5 Significance of Study	7
1.6 Scope and Limitations	7
1.7 Chapter Outlines	8
CHAPTER 2 LITERATURE REVIEW	
2.1 Introduction	9
2.2 Overview	9
2.2.1 Loan Loss Provision and Profitability	10 - 12
2.2.2 Non-performing Loan and Profitability	12 - 14
2.2.3 Deposits and Profitability	14 - 16
2.3 Conceptual Framework	17
2.4 Theory and Model Specifications	17
2.5 Summary of the Chapter	18

LIST OF TABLES

Table:

Table 4.2 Results of Descriptive Statistics

Table 4.3 Result of Unit Root Test

Table 4.4 Result of Coorelation Coefficients Test

Table 4.5 Result of Variance Inflation Factor (VIF) Test

Table 4.6 Results of Regression Analysis

ABSTRACT

The main purpose of this paper is to analyze the determinants of the profitability (ROE) among selected commercial banks' profit in Malaysia. A total of 7 licensed commercial banks are chosen to represent the commercial banks in Malaysia during the time line from 2010 to 2016. The dependent variable is Return on Equity and main independent variable is Loan-loss Provision (LLP), Non-performing Loan (NPL) and deposits (DEPO). Panel Data was used to deal in measuring the relationship of the variables. The data also compromised seven year period and consist 7 commercial banks in Malaysia. Statistical tests included normality, stationary and regression test to ensure this study is able to answer the research question. The finding disclose that loan-loss provision and deposits has strong relationship with profitability of the commercial banks in Malaysia while non-performing loan has no positive or negative effect towards the profitability of the commercial banks.