



**A STUDY ON THE INTERNAL PROFITABILITY
DETERMINANTS OF ISLAMIC BANK: THE
CASE OF MALAYSIAN CONVENTIONAL
BANK'S ISLAMIC SUBSIDIARIES**

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IN THE NAME OF ALLAH THE MOST GRACIOUS AND THE MOST
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ABSTRACT

Islamic banking system in Malaysia can be classified into new developing measures that conduct any business transaction based on Syariah principles. This research is conducted to study the internal factors which may determine the profitability of Conventional Islamic subsidiaries Banks in Malaysia. ROA was selected as the dependent variable. There are three (3) independent variables for the study which are the bank size, capital adequacy and the operating expenses management. This research will be conducted by collecting data in the annual report from four (4) sample banks for the 6 year period ranging from 2006 to 2012 and the data will be analyzed into quarter data. The data collected were regressed and analyzed using Eviews version 7. At the end of the study it is found that all the variables selected give reasonable influences to the profitability of Islamic Banks. However bank size was expected as the dominant factor in the study which later being denied by the result that shows operating expenses is the most dominant one. The study will be useful for the Islamic banks in determining the real factor that directly affects their profitability to enable their further growth. Other than that the result in the study will assist another researcher in Malaysia mostly to support their work, since the literature in the Islamic banking or finance area in Malaysia still low.

Keywords: profitability, bank size, capital adequacy, operating expenses management.