

ISBN665 (JBM2296A)



**PERFORMANCE OF ISLAMIC BANK IN
MALAYSIA**

ANWAR WAFI BIN HASSAN

2012492078

BACHELOR OF BUSINESS ADMINISTRATION

(HONS)

ISLAMIC BANKING

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

JOHOR

DECEMBER 2014

ABSTRACT

This research aims to study the performance of Islamic bank in Malaysia for the period of 10 years starting from 2004 to 2013. However, the previous researcher study the performance of profitability of the Islamic bank along with the conventional bank. So, this research will identify the determinants that affect the profitability of the banking institution in Malaysia which offers Islamic product and services only.

The objective of this research is to examine the factors that affect the Islamic bank's performance on profitability. The dependent variable of this research is performance of Islamic bank on profitability. Meanwhile, the independent variable are Gross Domestic Product (GDP), Inflation Rate, Consumer Price Index (CPI), Saving Rate and Interest Rate.

The sample data used in this research is based on secondary data that focus on the Islamic bank in Malaysia which consist of three different Islamic banks for the period of 10 years starting from 2004 to 2013.

Other than that, Multiple Linear Regression will be used in the research in order to examine the significant relationship between the dependent variable with the independent variable. Thus, it will describe how the performance Islamic bank will be affected by Gross Domestic Product (GDP), Consumer Price Index (CPI), Inflation Rate, Interest Rate and Saving Rate, The finding found that each variable mostly have a positive relationship with the profitability of the banking institution.

ACKNOWLEDGEMENT

Foremost, I wish to count my blessings and thanked Allah S.W.T for providing me with the mental and physical faculties as well as other positive attributes notably perseverance to complete this challenging research paper. Special mention goes to my research advisor Puan Zuraidah Binti Ahmad for her guidance, supervision and support. Her constructive comments and suggestions greatly assist in the successful completion of this project paper.

I also take this opportunity to extend my appreciation to all those who have assisted in one way or another in the completion of this research paper. Sincere thanks to all my friends for their understanding, kindness and moral support during the testing time undertook to complete this assignment. Last but not least, my deepest gratitude to my beloved parents for their unwavering support, invaluable assistance and sincere blessings.

Thank you.

Table Of Contents

LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
CHAPTER 1: INTRODUCTION	1
1.1 INTRODUCTION	1
1.2 BACKGROUND OF THE STUDY.....	1
1.3 PROBLEM STATEMENT	3
1.4 RESEARCH QUESTION	3
1.4.1 MAIN RESEARCH QUESTION.....	3
1.4.2 SPECIFIC RESEARCH QUESTION	4
1.5 RESEARCH OBJECTIVE.....	4
1.5.1 MAIN RESEARCH OBJECTIVE	4
1.6 SIGNIFICANT OF STUDY	5
1.7 SCOPE OF STUDY.....	5
1.8 LIMITATION.....	5
1.8.1 DATA RELIABILITY	6
1.8.2 PERIOD CONSTRAINT	6
1.9 DEFINITION OF TERM.....	6
1.9.1 GROSS DOMESTIC PRODUCT (GDP).....	6
1.9.2 CONSUMER PRICE INDEX (CPI)	6
1.9.3 INFLATION RATE	6
1.9.4 INTEREST RATE	7
1.9.5 SAVING RATE	7
1.10 SUMMARY	7
CHAPTER 2: LITERATURE REVIEW	8
2.1 INTRODUCTION	8
2.2 DEFINITION OF ISLAMIC BANKING.....	8
2.3 CHARACTERISTIC OF ISLAMIC BANKING	8
2.4 GROSS DOMESTIC PRODUCT (GDP)	9
2.4.1 RELATIONSHIP BETWEEN GROSS DOMESTIC PRODUCT (GDP) WITH THE PERFORMANCE.....	9
2.5 CONSUMER PRICE INDEX.....	10
2.5.1 RELATIONSHIP BETWEEN CONSUMER PRICE INDEX (CPI) WITH THE PERFORMANCE.....	10
2.6 INFLATION RATE.....	10

2.6.1 RELATIONSHIP BETWEEN INFLATION RATE WITH THE PERFORMANCE	11
2.7 INTEREST RATE	11
2.7.1 RELATIONSHIP BETWEEN INTEREST RATE WITH THE PERFORMANCE.....	12
2.8 SAVING RATE	12
2.8.1 RELATIONSHIP BETWEEN SAVING RATE WITH THE PERFORMANCE	12
2.9 SUMMARY.....	13
CHAPTER 3: METHODOLOGY	14
3.1 INTRODUCTION	14
3.2 SAMPLE AND DATA	14
3.2.1 POPULATION AND SAMPLE	14
3.2.2 DATA COLLECTION.....	14
3.2.3 VARIABLES	15
3.3 RESEARCH DESIGN	16
3.3.1 PURPOSE OF STUDY	16
3.3.2 TYPE OF INVESTIGATION	16
3.3.3 RESEARCH INTERFERENCE.....	16
3.3.4 STUDY SETTING.....	17
3.3.5 UNIT OF ANALYSIS	17
3.3.6 TIME HORIZON	17
3.4 RESEARCH FRAMEWORK AND HYPOTHESIS	18
3.4.1 THEORETICAL FRAMEWORK.....	18
3.4.2 HYPOTHESIS	18
3.5 STATISTIC/ECONOMIC METHOD.....	20
3.5.1 DESCRIPTIVE ANALYSIS.....	20
3.5.2 SKEWNESS	21
3.5.3 NORMALITY TEST	21
3.5.4 COVRIANCE ANALYSIS.....	21
3.5.5 DURBIN-WATSON STAT	21
3.5.6 REGRESSION ANALYSIS	21
3.6 SUMMARY.....	22
CHAPTER 4: FINDINGS/DATA ANALYSIS	23
4.1 INTRODUCTION	23
4.2 FINDING 1 – DESCRIPTIVE ANALYSIS	23
4.3 FINDING 2 – SKEWNESS	23
4.4 FINDING 3 – NORMALITY TEST	24
4.5 FINDING 4 – COVARIANCE ANALYSIS.....	24