



**ECONOMIC DETERMINANTS OF COMMERCIAL BANKS
PROFITABILITY IN MALAYSIA**

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ABSTRACT

This research aims at finding out economic factors towards profitability of commercial banks in Malaysia. As we known, Malaysia is a rapidly developing economy in Asia. In 2012, the economy of Malaysia was the third largest economy in South East Asia behind more populous Indonesia and Thailand and 29th largest economy in the world by purchasing power parity with gross domestic product stands at US\$492.4 billion and per capita US\$16,922. Bank profitability is one of the resources that contribute in economic in Malaysia. So, this research will find out the economic performance of 10 commercial banks in Malaysia banks such as Malayan banking (Maybank), CIMB bank, Public Bank, Hong Leong Bank Berhad and Eon Bank (merge), Ambank, RHB Bank, Hong Leong Bank Berhad (HLBB), Affin Bank, HSBC Bank and Alliance Bank from year 2010 to 2013 and utilizing panel data. Besides that, two types of variables will be used in this research. There are dependent variable and independent variable. Dependent variables are return on asset (ROA) of 10 commercial banks and independent variables include Interest rate (IR), Gross domestic product (GDP) and Consumer price index (CPI). This research objective is to investigate the relationship of macroeconomic determinants towards influencing commercial bank profitability in Malaysia. Methodology used for this study is by using Linear Model with panel data sourced from Bank Negara Malaysia (BNM). The study is an attempt to investigate the relationship of the chosen internal and external factors towards influencing Commercial Bank in Malaysia. A few types of investigation will be use such as descriptive statistics, normality test, multicollinearity test, covariance analysis, Multiple Linear Regression, F-test, Coefficient of Determination R^2 , Adjusted R-squared and Durbin Watson test to measure the economic determinants of commercial banks profitability in Malaysia.

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