



**FINANCIAL PERFORMANCE ANALYSIS OF  
COMMERCIAL BANKS IN MALAYSIA USING DUPONT  
ANALYSIS**

**WAN SHAHRAIFANA BINTI SAHARAN  
2013673462**

**BACHELOR OF BUSINESS ADMINISTRATION  
(HONS) FINANCE  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
SEGAMAT, JOHOR.**

**JUNE 2016**

## **ACKNOWLEDGEMENT**

Foremost, I wish to count my blessings and thanked Allah S.W.T for providing me with the mental and physical as well as other positive attributes notably perseverance to complete this challenging research paper. Special mention goes to my research advisor Puan Yuslizawati binti Mohd Yusoff and Puan Siti Salwa Binti Hassan for their guidance, supervision and support. Their constructive comments and suggestions greatly assist in the successful completion of this project paper. Plus a special thanks to En. Syamsul Samsudin, assisted all the way through the completion of this project.

Moreover, my deepest gratitude to my beloved parents for their unwavering support, invaluable assistance, and sincere blessing. Moreover, I would like to extend my appreciation to each and every one of you who have assisted in one way or another in order for me to complete this research paper. Sincere thanks to all my friends and office colleagues for their understanding, kindness, and moral support during the testing time undertook to complete this assignment.

Thank you.

## **ABSTRACT**

Briefly, the Malaysian economy is expected to be resilient and still show significant growth while the global economy gives cause for concern on several fronts. The objective of the paper is to demonstrate that in most cases the most profitable companies are not the most attractive for investors – through DuPont Analysis method. In order to do this, we take into account the local commercial banks in Malaysia quarterly from 2011 till 2015.

Decomposition of Return on Equity (ROE), Total Assets Turnover (TATO) and Equity Multiplier (EM) provides an analytical framework appropriate for observing factors that make and influence financial profitability, represented by the value of ROE. Hence, this study is to investigate the profitability performance of commercial banks in Malaysia whether the banks are generating a good return on the investment of the shareholders. For the empirical work, correlation analysis, multiple regression and recent econometric analysis were conducted to determine the relationships between the variables. The result gained from the study shows there exist a significant relationships between ROE and independent variables.

## TABLE OF CONTENTS

TITLE PAGE.....	i
DECLARATION OF ORIGINAL WORK.....	ii
LETTER OF SUBMISSION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
LIST OF ABBREVIATIONS.....	x
CHAPTER 1: INTRODUCTION.....	1
1.1 Background of Study.....	1
1.2 Problem Statements.....	3
1.3 Research Objectives.....	4
1.4 Research Questions.....	4
1.5 Significant of Study.....	5
1.6 Scope of Study.....	7
CHAPTER 2: LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.2 Financial Analysis on Bank's Performance using DuPont Analysis.....	8
CHAPTER 3: RESEARCH METHODOLOGY.....	10
3.1 Introduction.....	10
3.2 Sample and Data.....	11
3.2.1 Population and Sample.....	11
3.2.2 Data collection.....	11
3.2.2.1 Secondary Data.....	11
3.2.2.2 Journals and Articles.....	11
3.2.3 Variables of Research.....	12
3.2.3.1 Dependent Variable.....	12
3.2.3.2 Independent Variables.....	13
3.2.3.3 Variables and Codes.....	14

3.3 Theoretical Framework.....	15
3.3.1 Hypothesis Statement.....	16
3.4 Statistic and Econometric Method.....	17
3.4.1 Descriptive Analysis.....	17
3.4.2 Stationary Test.....	18
3.4.3 Correlation Coefficient Analysis.....	18
3.4.4 Regression Analysis.....	19
3.4.4.1 Test on Assumption.....	20
3.4.4.1.1 Normality Test.....	20
3.4.4.1.2 Auto - Correlation.....	20
3.4.4.1.3 Heteroscedasticity.....	21
3.4.4.1.4 Multicollinearity.....	21
3.4.4.1.5 RAMSEY.....	22
3.4.5 Findings of Commercial Bank Performance.....	22
<b>CHAPTER 4: FINDINGS / DATA ANALYSIS.....</b>	<b>23</b>
4.1 Descriptive Analysis.....	23
4.1.1 Mean.....	24
4.1.2 Standard Deviation.....	24
4.1.3 Skewness.....	24
4.1.4 Kurtosis.....	25
4.2 Stationary Test.....	26
4.2.1 First Variable: Return on Equity (ROE).....	26
4.2.2 Second Variable: Profit Margin (PM).....	27
4.2.3 Third Variable: Total Asset Turnover (TATO).....	28
4.2.4 Forth Variable: Equity Multiplier (EM).....	29
4.3 Correlation Coefficient Analysis.....	30
4.4 Regression Analysis.....	31
4.4.1 Coefficients.....	32
4.4.2 F-test Statistics.....	32
4.4.3 T-test Statistics.....	33
4.4.4 Adjusted R-squared.....	33
4.4.5 Test on Assumption.....	34