



**THE PERFORMANCE OF COMMERCIAL BANK IN
MALAYSIA: DOMESTIC AND FOREIGN BANKS**

**NORSURAYA BINTI SHAWAL
2013445378**

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

JUNE 2016

ACKNOWLEDGEMENT

Firstly, I am thankful to Allah for giving me good health to complete this challenging research successfully. Besides that, I would take opportunity to express my deepest appreciation to all those who guided me to complete this thesis. A special gratitude I give to my research advisor, Madam Diana' binti Mazan for her guidance, supervision and support. Her contribution in stimulating suggestions and encouragement, helped me to coordinate my project especially in writing this report. Do not forget also to Sir Syamsul Samsudin for his guidance and advice towards the completion of this project paper.

Last but not least, I would like to extend my appreciation to all my friends were always available for immediate advice, ideas and guidance. And thanks for those entire person who have assisted, the cooperation, borrow books and suggest article. Lastly, my deepest gratitude to my parents and all who have helped me directly or indirectly to complete this report.

Thank you.

ABSTRACT

Briefly, Malaysia have large number of bank including domestic bank and foreign bank. Then, this study is to examine the performance of Commercial bank in Malaysia between domestic banks and foreign banks which is comparing in term of financial factors. To found the performance of the domestic and foreign bank, independent variable use are liquidity, asset quality, capital, interest rate and bank size towards dependent variable which is of Return on Asset (ROA).

Financial ratio are collected from bank's annual report in datastream and bank scope for a total of six (6) domestic banks and six (6) foreign banks, which covering a period between 2010 until 2014. This study uses panel regressions to determine the relationship of the variable. Data that have been analyzed by using the Econometric View 8.0 while this study has chosen Panel Data Regression Models.

Table of Contents

TITLE PAGE.....

DECLARATION OF ORIGINAL WORK ii

LETTER OF SUBMISSION iii

ACKNOWLEDGEMENT iv

ABSTRACT v

CHAPTER 1: INTRODUCTION 1

 1.0 Introduction 1

 1.1 Background of Study 1

 1.2 Problem Statements 4

 1.3 Research Objectives..... 5

 1.3.1 Main Research Objective..... 5

 1.3.2 Specific Research Objectives..... 5

 1.4 Research Questions..... 6

 1.4.1 Main Research Question..... 6

 1.4.2 Specific Research Questions..... 6

 1.5 Significant of Study 7

 1.6 Scope of Study..... 8

 1.7 Limitation of Study..... 8

CHAPTER 2: LITERATURE REVIEW 9

 2.0 Introduction 9

 2.1 Literature Review on Topic..... 10

 2.2 Literature Review on Liquidity 13

 2.3 Literature Review on Asset Quality 14

 2.4 Literature Riview on Capital 15

 2.5 Literature Review on Interest Rate..... 15

 2.6 Literature Review on Bank Size..... 16

CHAPTER 3: RESEARCH METHODOLOGY 17

 3.0 Introduction 17

 3.1 Sample and Data..... 18

 3.1.1 Population and sample..... 18

 3.1.2 Data collection 19

 3.1.3 Variables..... 21

3.2 Theoretical Framework	22
3.2.1 Hypothesis statement.....	23
3.3 Statistic and Econometric Method.....	24
3.3.1 Descriptive analysis.....	24
3.3.2 Test for Stationary: Unit Root Test.....	24
3.3.3 Test on assumptions	25
3.3.4 Correlation Coefficient.....	27
3.3.5 Regression Analysis	28
CHAPTER 4: FINDINGS	29
4.0 Introduction	29
4.1 Descriptive analysis	29
4.2 Stationary test	31
4.3 Test on Assumptions.....	32
4.3.1 Normality Test	32
4.3.2 Serial correlation of error term.....	33
4.3.3 Heteroskedasticity	34
4.3.4 Multicollinearity test	35
4.4 Correlation analysis	37
4.5 Multiple Regression Analysis	40
CHAPTER 5: CONCLUSION AND RECOMMENDATION	42
5.0 Introduction	42
5.1 Conclusion.....	45
5.2 Recommendation.....	46
5.2.1 Time Horizon	46
5.2.2 Selection of Dependent and Independent Variables	46
REFERENCES	47
APPENDICES	49