



**THE IMPACT OF FINANCIAL INDICATORS TOWARDS  
ISLAMIC BANKS STOCK PERFORMANCE**

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## ABSTRACT

There are many factors that affect the share price of Islamic Banks in Malaysia. The objectives of this study are to observe how to evaluate Islamic Bank's share price using financial ratios. Although the development of Islamic banks in Malaysia is the latest period compared to conventional banks, however, the rapid progress of growth in term of products and services transform Islamic bank as new financial hubs for Malaysia, especially Muslim. As to conduct this study, the data will be collected from Bankscope and annual report of Islamic banks by using the panel data starting from 2011 until 2015 using yearly basis. The implication of this study is to analyze whether each of variables may directly give impacts to share price of the banks.

The sample of this study is in Malaysia. The research been conducted on local Islamic banks listed by Bank Negara Malaysia and focus on three financial ratio which is profitability, efficiency, and liquidity to determine their relationship towards the dependent variable of the bank's share performance. The results have been further analyze using STATA 11 software. This research provides results on the relationship of financial indicators towards Islamic banks stock performance and to determine the most significant financial indicators which have the strongest impact towards Islamic banks stock performance.

## TABLE OF CONTENTS

TITLE PAGE .....	.....
DECLARATION OF ORIGINAL WORK .....	ii
LETTER OF SUBMISSION .....	iii
ACKNOWLEDGEMENT .....	iv
ABSTRACT .....	v
LIST OF TABLE .....	vi
LIST OF FIGURE.....	vii
LIST OF ABBREVIATIONS.....	viii
CHAPTER 1: INTRODUCTION .....	1
1.1 Background of Study .....	2
1.1.1 History of Islamic Banking in Malaysia .....	5
1.2 Problem Statement.....	7
1.2.1 The prohibition of interest (Riba) in Islamic banking system.....	8
1.3 Research Objectives.....	9
1.4 Research Questions.....	9
1.5 Significant of study.....	10
1.6 Scope of study.....	11
1.7 Limitation of study.....	12
CHAPTER 2: LITERATURE REVIEW .....	13
2.1 Introduction.....	13
2.2 Literature review on performance of the banks .....	13
2.3 Literature review of price earnings ratio.....	14
2.4 Literature review profitability ratio .....	16
2.5 Literature review of efficiency ratio .....	19
2.6 Literature review of liquidity ratio.....	21
CHAPTER 3: RESEARCH METHODOLOGY .....	24
3.1 Introduction.....	24
3.2 Sample and data .....	24
3.2.1 Research Variables.....	25
3.2.2 Dependent variable.....	25
3.2.3 Independent variable .....	26
3.2.4 Sources of Data .....	29

## CHAPTER 1: INTRODUCTION

The first chapter in this study will be discussed the background of the study, problem statement, research objective, research question, significant of study, a scope of the study and limitation of study. This chapter will analyze and determine the impacts and relationship of financial ratios towards Islamic banks share prices. The dependent variable that will be used is Islamic banks share prices using price earnings ratio selected as a proxy. The independent variables are profitability ratio, efficiency ratio, and liquidity ratio. The study by Ibrahim (2015) examines the groups of financial ratios have been used to measure the performance and make an evaluation between these two banks. Even though both banks perform very well is come out that each bank has its focus on some part such liquidity and profitability.

The population of study consists of nine local Islamic banks in Malaysia listed by Bank Negara Malaysia for example Affin Islamic Bank Berhad, Alliance Islamic Bank Berhad, Amislamic Bank berhad, Bank Islam Malaysia Berhad, CIMB Islamic, Hong Leong Islamic Berhad, Maybank Islamic, Public Bank Islamic and RHB Islamic Berhad. Panel data will be used for conducting the research by using data from annual Islamic banks annual report. The period of study that will cover from 2011 until 2015. The study of Sanwari and Zakaria (2013) was about the Islamic bank performance by looking at internal and external factors. Data of Global Islamic banks' obtained from the annual report on Islamic banking from Bank Scope database. They used Panel data of 74 Islamic banks around the world from period 2000 until 2009. While Al Tamimi (2010) examines the several factors in UAE's Islamic and conventional national banks during the period 1996 until 2008. He used five independents variables such