



**THE IMPACT ON PROFITABILITY OF COMMERCIAL BANK IN MALAYSIA:
EVIDENCE FROM MALAYAN BANKING BERHAD, ALLIANCE BANK MALAYSIA
BERHAD, CIMB BANK AND PUBLIC BANK BERHAD**

FATIN FAKHIRA BINTI MOHAMED

2016595853

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS ^{AND} MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (TERENGGANU)**

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ABSTRACT

The main purpose of the study was to examine the impact on profitability of commercial bank in Malaysia. Data were collected from the sample of four commercial banks (Malayan Banking Berhad, Alliance Bank Malaysia Berhad, CIMB Bank and Public Bank Berhad) operated in Malaysia economy for the period of 2006 to 2017 (yearly). One way Pooled Ordinary Least Square (POLS) of panel data analysis is used as a major tool of analysis. The profitability of the commercial banks is measured in terms of return on equity and is regressed on bank specific variables which are non-performing loans, bank size, capital adequacy ratio, leverage and gross domestic product. The study found that non-performing loans, bank size and capital adequacy have a significant impact on profitability (ROE). Only non-performing loans have a negatively relationship with ROE. Besides, leverage and gross domestic product have a positively but insignificant relationship with profitability (ROE). In order to increase the profitability (ROE), the BNM have to improve its regulatory guidelines, aiming to build up the market discipline's effectiveness by providing clearer picture and disclosure, as well as transparency of financial information in the banking industry.

Keywords: *Profitability, Return on Equity, Non-Performing Loans, Panel data, Malaysia.*