



**THE FACTORS THAT AFFECT PROFITABILITY OF LOCAL AND
FOREIGN COMMERCIAL BANK IN MALAYSIA**

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ABSTRACT

This study is aim to identify the factors that affecting profitability of local and foreign commercial banks in Malaysia for the period between 2010 until 2017. Using return on equity as a proxy of profitability and five factor that could affect the profitability as the determinant namely as capital adequacy ratio, cost to income ratio, size of banks, credit risk and tax rates. This study employs panel data regression of Pooled Ordinary Least Squares (Pooled OLS) and random effects models. Data has been gathering from various sources such as eikon Thompson Reuters, consolidated and unconsolidated financial statement from each bank in the study. It was found that cost to income ratio has a significant impact on return on equity of local and commercial banks. The relationship of capital adequacy ratio, size of banks and tax rates with return on equity were found to be positive. The effect of credit risk on return on equity is insignificant for the commercial banks in Malaysia.