DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
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UNIVERSITI TEKNOLOGI MARA (TERENGGANU)

I, NURUL HIDAYU BT ROSLI,

Hereby declare that:

- This work has not previously been accepted in substance for any degree, any locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- The project paper is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____ Date: DECEMBER 2019

ACKNOWLEDGEMENT

IN THE NAME OF ALLAH, THE MOST GRACIOUS AND THE MOST MERCIFUL

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ABSTRACT

The movement of profitability between commercial banks in Malaysia has increased and the phenomenon has adversely affected the economic growth in Malaysia. When evaluating the relationship between independent and dependent variables, this study uses a 10-year duration starting when 2009 to 2018. This study was conducted by 16 banks in Malaysia out of 27 banks. The banks are Affin Bank, Alliances bank, Ambank, Bangkok bank, Bank of China Malaysia Berhad, CIMB, Citibank Berhad, Deutsche Bank Berhad, Hong Leong Bank, HSBC Bank Berhad, JP Morgan Chase Bank Berhad, Malayan Banking Berhad, MUFG Bank Berhad, OCBC Bank, Public Bank, and RHB Bank. The purpose of this study is to examine the overall relationship between return on equity (ROE) and independent variables such capital adequacy ratio (CAR), non-performing loan ratio (NPLR), loan loss provision ratio (LLPR), tax rate (TR), and bank size (BS/LS). The technique is using Pooled Ordinary Least Square (OLS) and Random Effect Model (REM) to show the reliability of this study and get a better result for this research. The positive and negative relationship between dependent variable ROE and independent variable capital adequacy ratio, non-performing loan, loan loss allowance, tax rate, and bank size is shown in many studies. This study reveals that some variables between CAR, NPLR, LLPR, TR, and BS are proper factors that influence the internal determinants of commercial bank profitability. All the independent variables were designed to keep Malaysia's competitiveness positive. Increasing economic activity would encourage commercial banks in Malaysia's profitability for growth.

Keywords : return on equity, capital adequacy ratio, non-performing loan, loan loss provision, tax rate, bank size