UNIVERSITI TEKNOLOGI MARA

ASNB
Amanah Saham Nasional Berhad

INDUSTRIAL TRAINING REPORT

ASNB BUTTERWORTH

MGT666 INTERNSHIP
29TH AUG 2022 - 10 FEB 2023

PREPARED BY

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EXECUTIVE SUMMARY

Amanah Saham Nasional Berhad (ASNB) has been active in the unit trust market for 44 years as of 2023. Due to the fact that this business is one of the most reputable and trusted businesses in Malaysia, the vast majority of customers do not need to be concerned about a lack of trust. Additionally, ASNB has managed unit trusts for many years. During the 24 weeks I spent receiving industrial training at Amanah Saham Nasional Berhad Butterworth, I learned a lot of fresh information that I may utilise when I begin working.

After taking part in this internship programme, students' learning becomes more realistic and clearly quantifiable in terms of their accomplishments and success in a particular position. As an intern, I was given hands-on experience with customer service and administration, as well as rigorous attention to skills in communication, digital skills, teamwork and stress resistance. This report will provide a brief overview of the background, accomplishments, and range of products and services offered by ASNB.

EXECUTIVE SUMMARY

Additionally, this report will display the findings for the dependent and independent variables of The Determinant of Profitablility: Commercial Bank in Malaysia.

The aim of this paper is to investigate the factors that influence commercial banks' profitability in Malaysia. Four distinct characteristics that were examined for their connections to profitability are the foundation of this investigation. These elements are the bank's size (SIZE), return on assets (ROA), capital ratio (CAP), liquidity risk (LIQ), and (SIZE). Data for this study was gathered from ten commercial banks and spans the years 2011 through 2020. (10 years). The research approach employed in this study is the Static Panel Data Analysis model, and the data were taken from Refinitv Eikon Datastream in Microsoft Excel. It is shown through the use of fixed effects regression that ROA and SIZE have a significant influence on the profitability of Malaysia's commercial banks. However, the CAP and LIQ show a poor correlation with profitability.

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COMPANY'S PROFILE

COMPANY'S NAME, LOGO, LOCATION AND OPERATION HOUR

COMPANY'S NAME

Amanah Saham Nasional Berhad

Butterworth Branch

COMPANY'S LOGO

ASNB

Amanah Saham Nasional Berhad

Syarikat Unit Amanah PNB

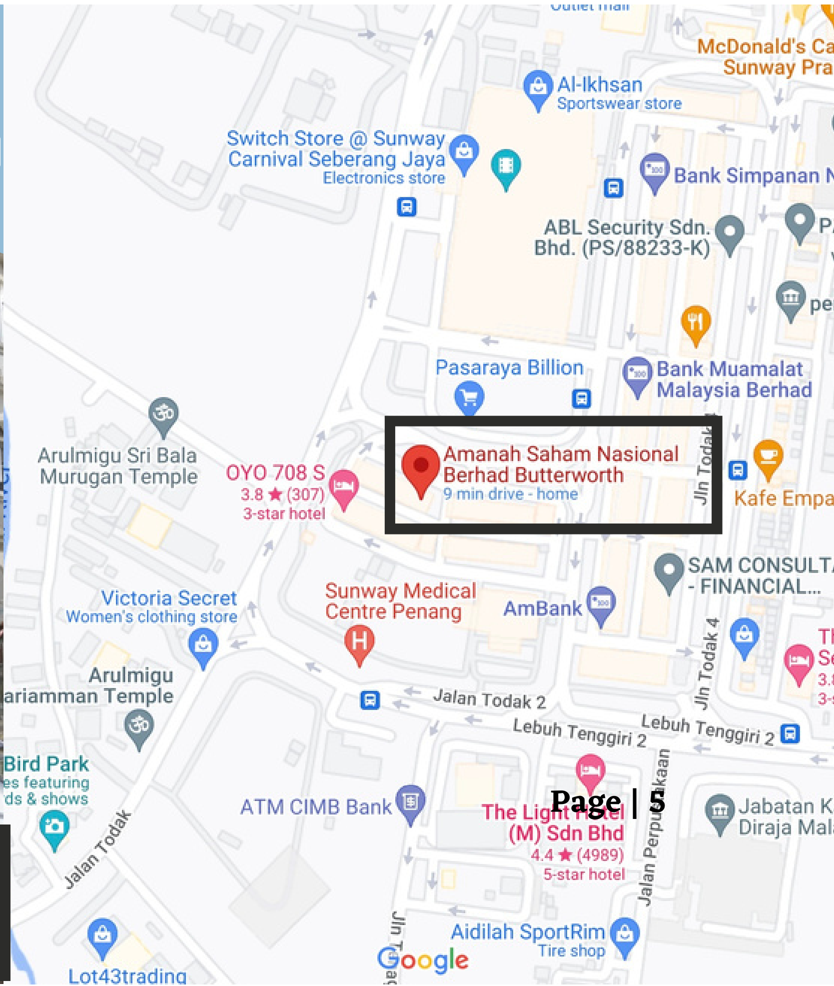
COMPANY'S NAME, LOGO, LOCATION AND OPERATION HOUR

COMPANY'S OPERATION HOUR

LOCATION	DAYS & OPERATING HOUR
Peninsular Malaysia, Sabah & Sarawak (Exc Kelantan & Terengganu)	Monday - Friday (8.15AM - 4.00PM)
Kelantan & Terengganu	Sunday -Thursday (8.15AM - 4.00PM)
Public Holiday	Close

COMPANY'S LOCATION

No 12, Jalan Todak 3, Pusat Bandar Sunway, 13700 Seberang Jaya, Penang



VISION

To be Distinctive Worls-class Investment House

MISSION

To enhance the economic wealth of the Bumiputera community and all Malaysians, for the prosperirty of the nation

OBJECTIVE

- To raise **AWARENESS** on the importance of financial planning among people.
- To make financial planning as a way of life and to help one **MAINTAIN** a comfortable lifestyle during retirement
- To help people **ACHIEVE** peace of mind andfinancialfreedom as well as living prosperously
- To introduce ASNB unit trust as a **COMPETITIVE** investment instrument as the basis for financial planning

VALUES

PRUDENCE

We exercise prudence and do not compromise on integrity in safeguarding the wealth of our unit holders.

ADAPTABILITY

We strive to develop adaptability and nimble ways of working to suit the constantly changing environment.

COLLABORATION

We cultivate a culture of collaboration, mutual respect and empowerment in achieving our shared aspirations.

EXCELLENCE

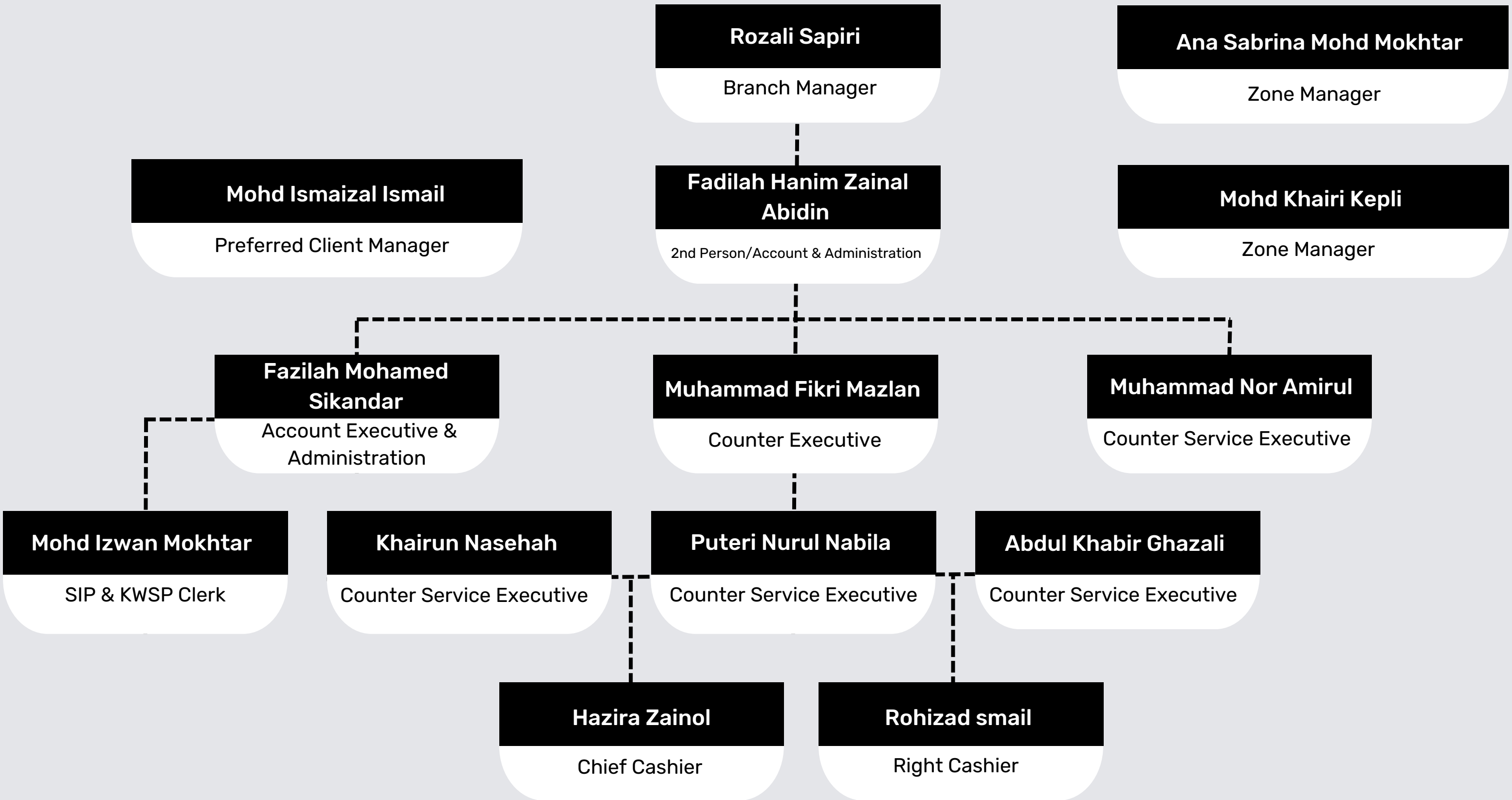
We continually strive to achieve excellence through competent execution of our mandate.

COMPANY'S ESTABLISHMENT HISTORY

On March 17, 1978, Permodalan Nasional Berhad was established as one of the government's tools for the New Economic Policy (NEP). Over the past forty years, PNB has been one of Malaysia's top investment management companies. PNB keeps its attention on its mission and works to improve Bumiputera and all Malaysians' quality of life for the sake of the country. On May 22, 1979, Amanah Saham Nasional Berhad (ASNB) was founded to oversee the PNB Funds. As part of PNB's goal and vision, ASNB is in charge of making investments based on investor behaviour across a variety of industries, including real estate, banking, telecommunications, and others.

Amanah Saham Nasional Berhad (ASNB), a unit trust corporation under PNB, currently has more than 2,600 agent branches nationwide and 33 branch offices. CIMB, RHB, Hong Leong, Bank Islam, Poslaju Malaysia, and many more have agent branches that fall under ASNB. Since managing the first unit fund in 1981, Amanah Saham Nasional Berhad (ASNB) now oversees 17 unit trust funds, made up of six fixed price funds and ni 10 variable price funds. The two product categories offered by ASNB are fixed price and variable price products. All of the company's goods increase customer interest in investing with ASNB, and the company's performance may increase customers' confidence and trust in doing so.

ORGANIZATIONAL STRUCTURE



ASNB'S PRODUCTS & SERVICES

ASB

Fund Type: Income
Fund Category: Mixed Asset
Launch Date: 2 Jan 1990
Financial Year End: 31 December
Price per Unit: RM 1.00
Eligibility: Bumiputera & Minority Etnic

ASB 2

Fund Type: Income
Fund Category: Mixed Asset
Launch Date: 2 Apr 2014
Financial Year End: 31 March
Price per Unit: RM 1.00
Eligibility: Bumiputera & Minority Etnic

ASB 3 Didik

Fund Type: Growth
Fund Category: Mixed Asset
Launch Date: 20 Apr 2001
Financial Year End: 31 June
Price per Unit: RM 1.00
Eligibility: Bumiputera & Minority Etnic

ASM

Fund Type: Income
Fund Category: Mixed Asset
Launch Date: 20 Apr 2000
Financial Year End: 31 March
Price per Unit: RM 1.00
Eligibilty: Malaysian Individual

ASM 2 Wawasan

Fund Type: Income
Fund Category: Mixed Asset
Launch Date: 28 Aug 1996
Financial Year End: 31 August
Price per Unit: RM 1.00
Eligibilty: Malaysian Individual

ASM 3

Fund Type: Income
Fund Category: Mixed Asset
Launch Date: 5 Aug 2009
Financial Year End: 31 September
Price per Unit: RM 1.00
Eligibilty: Malaysian Individual

ASN

Fund Type: Growth
Fund Category: Equity
Launch Date: 20 Apr 1981
Financial Year End: 31 December
Price per Unit: NAV per unit (Historical Pricing)
Eligibilty: Bumiputera & Minority Etnic

ASN Equity 2

Fund Type: Growth
Fund Category: Equity
Launch Date: 9 June 1999
Financial Year End: 31 June
Price per Unit: NAV per unit (Historical Pricing)
Eligibilty: Bumiputera & Minority Etnic

ASN Equity 3

Fund Type: Growth and Income
Fund Category: Equity
Launch Date: 17 Mar 2003
Financial Year End: 31 March
Price per Unit: NAV per unit (Historical Pricing)
Eligibilty: Malaysian Individual

ASN Equity 5

Fund Type: Growth
Fund Category: Equity
Launch Date: 24 Sept 2018
Financial Year End: 30 September
Price per Unit: NAV per unit (Forward Pricing)
Eligibilty: Malaysian Individual

ASN Equity Global

Fund Type: Growth
Fund Category: Equity
Launch Date: 1 Sept 2021
Financial Year End: 31 December
Price per Unit: NAV per unit (Forward Pricing)
Eligibilty: Malaysian Individual

ASN Imbang 1

Fund Type: Balanced
Fund Category: Mixed Asset
Launch Date: 16 Oct 2001
Financial Year End: 30 November
Price per Unit: NAV per unit (Historical Pricing)
Eligibilty: Malaysian Individual

ASN Imbang 2

Fund Type: Growth and Income
Fund Category: Mixed Asset Balanced
Launch Date: 17 Mar 2003
Financial Year End: 31 March
Price per Unit: NAV per unit (Historical Pricing)
Eligibilty: Malaysian Individual

ASN Imbang 3 Global

Fund Type: Growth and Income
Fund Category: Mixed Asset Balanced
Launch Date: 16 Sept 2020
Financial Year End: 31 December
Price per Unit: NAV per unit (Forward Pricing)
Eligibilty: Malaysian Individual

ASN Sara 1

Fund Type: Growth and Income
Fund Category: Mixed Asset Conservative
Launch Date: 17 Mar 2003
Financial Year End: 31 March
Price per Unit: NAV per unit (Historical Pricing)
Eligibilty: Malaysian Individual

ASN Sara 2

Fund Type: Conservative
Fund Category: Mixed Asset
Launch Date: 24 Sept 2018
Financial Year End: 31 September
Price per Unit: NAV per unit (Forward Pricing)
Eligibilty: Malaysian Individual

ASN Sukuk

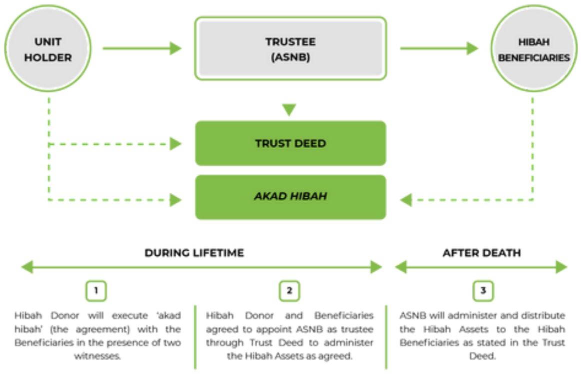
Fund Type: Income
Fund Category: Sukuk
Launch Date: 25 November 2022
Financial Year End: 30 June
Price per Unit: NAV per unit (Forward Pricing)
Eligibilty: Malaysian Individual & Corporate or Unincorporated Bodies or Institutions as may apporoved by the Manager

HIBAH AMANAH

HIBAH AMANAH is an ASNB service that embodies the idea of hibah and trust in estate management for Muslim Malaysian Unit Holders. It complies with Shariah law. After the passing of the Unit Holder, the unit trust investments in ASNB will be given to the Hibah Donee.

Advantages

- The beneficiaries and the distribution are decided by the unit holders.
- Beneficiaries are the exclusive recipients.
- There is no need for a letter of administration or a grant of probate.

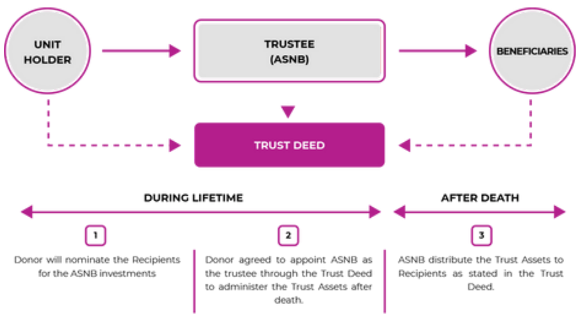


PENGISYTIHARAN AMANAH

ASNB offers its non-Muslim Malaysian Unit Holders the **PENGISYTIHARAN AMANAH / TRUST DECLARATION** estate administration service. It adopts the trust model, whereby ASNB will handle the unit trust investments and transmit them directly to the designated beneficiaries upon the death of the unit holder.

Advantages

- The beneficiaries and the distribution are decided by the unit holders.
- Beneficiaries are the exclusive recipients.
- There is no need for a letter of administration or a grant of probate.



WAKAF ASNB

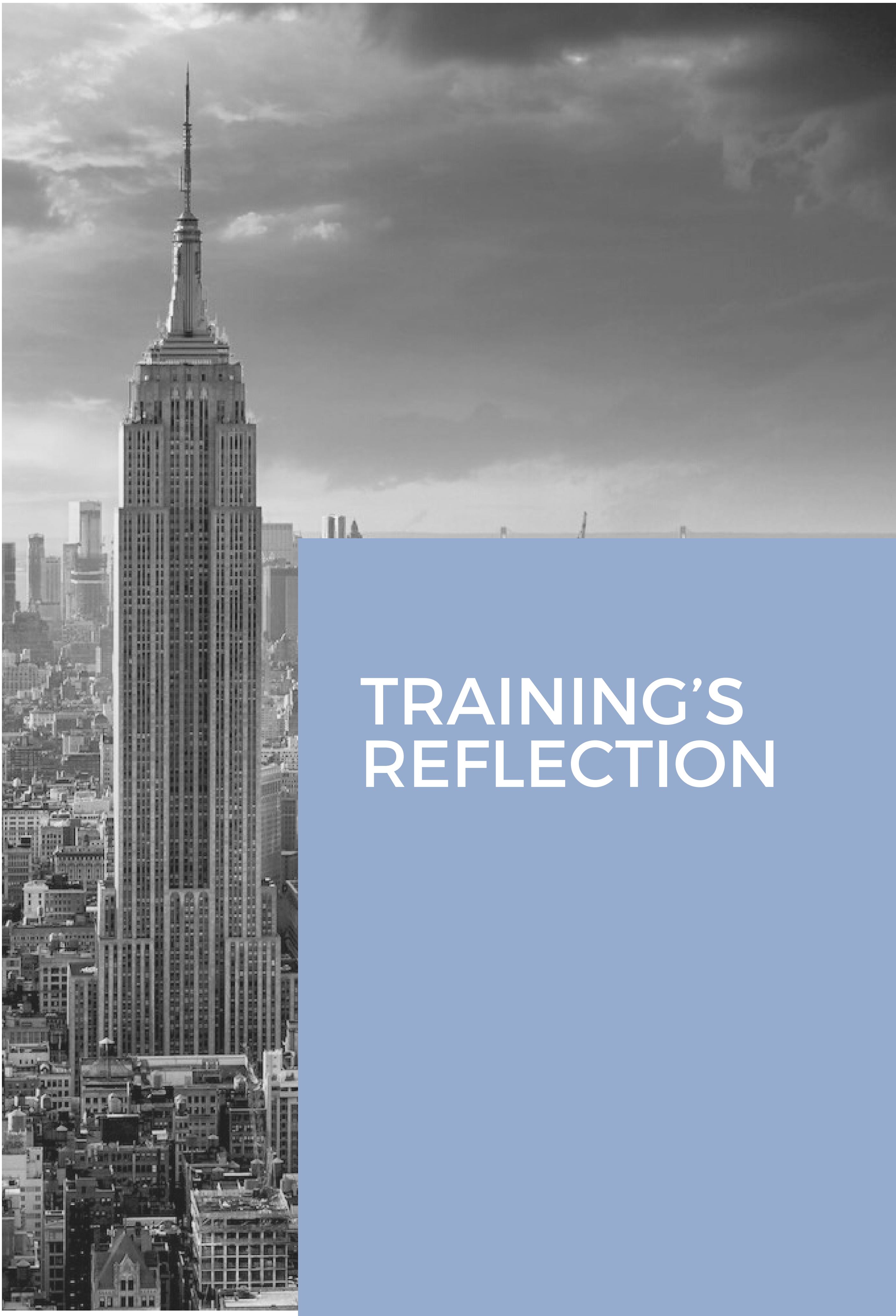
In order to ensure that their contributions are ongoing, Wakaf ASNB provides a platform for ASNB unit holders to donate their ASNB unit trust assets. The wakaf fund of the unit holder will be kept as the primary investment, and only the earnings from this investment will be directed to specific national wakaf programmes that promote community and ummah development.

Advantages

- Wakaf fund that lasts forever.
- Acknowledgement as a Mutawalli.
- The person's designated notification recipient or next of kin will continue to receive updates on wakaf.

OTHER SERVICES

- Registration
- Subscription
- Redemption
- Transfer and Switching
- Estate Claims



TRAINING'S REFLECTION

The goal of the internship programme is to ensure that students receive on-the-job training before entering the working world. The internship will last from August 29, 2022, to February 10, 2023, and a report on the internship course is required. Amanah Saham Nasional Berhad (ASNB), which is based in Butterworth, Penang, has granted me the opportunity to experience my internship there. I was at work eight hours a day, five days a week, till five o'clock. Since I've been in this line of work, I've had the opportunity to learn more about the many interpersonal abilities required for marketing and customer service. The first thing I noticed was that effective communication is frequently a key element of success. Since the intern will learn a lot from them while carrying out the tasks assigned, contact between an intern and ASNB staff is essential. When that happen, as an intership student, I will feel more confidence in handling and understanding the customer needs.

Additionally, the internship programme has improved my self-confidence, especially while helping customers. I have no trouble answering the customer's questions on Hibah Amanah & Pengisytiharan Amanah, Wakaf, and other ASNB products. I have no trouble answering the customer's inquiries on any ASNB’s product, Wakaf and Hibah Amanah also Pengisytiharan Amanah. This demonstrates my self-assurance as well as how, during my internship at ASNB, I have grown to be a better informed individual regarding their products. I am aware of the need of information literacy, which requires me to retain and put into practise whatever new knowledge I acquire about the company in order to explain it to clients more clearly. As a result, I will be more assured in my ability to explain ASNB's goods and services to customers, and they will be able to understand what I've said more clearly and concisely.

Due to the fact that I will be responsible for a variety of tasks as part of my internship, including customer service, administrative work, audit preparation, and other things, the capacity of an employee to multitask throughout working time is crucial. My ability to multitask and work under pressure has improved as a result of this. In addition, I had to learn how to work well in a team because they expected me to engage with the other interns or trainees I was working with to serve customers as a group, especially at the front desk, to guarantee that our branch operations worked properly.

At the front desk, I have worked as a greeter or customer service representative to help customers with the ASNB Kiosk, account registration, subscription, and money redemption processes. Customers are then helped with any transactions, including confirming that all the required forms is in order and which form to fill out for a khairat claim, revocation of an myASNB account, also transferring and switching units at ASNB's kiosk. The Hibah Amanah & Pengisytiharan Amanah contract update is another administrative task to which I am exposed. I then gain expertise using a coin counter to count customers' who subscribe into any ASNB's fund by using coins.I've also worked on marketing campaigns for Minggu Saham Amanah Malaysia 2022 (MSAM 2022), where I had to inform clients about the prizes they could receive for investing in an ASNB unit trust if they participated in the MSAM 2022.

The things I discovered during my internship were numerous, to sum up. My knowledge of investment, products, and inheritance claims has greatly increased as a result of this experience. I received a lot of experiences during this time, and none of them can be compared to the RM 1000 allowance provided because they all have great value and help me become a person who is courageous enough to confront different situations. I'm also appreciative that ASNB Butterworth, a reputable investment company in Malaysia, has allowed me to finish my internship there. Through this internship programme, I gained insights into the real workplace and how to thrive there.

INDUSTRY ANALYSIS

THE DETERMINANTS OF PROFITABILITY: COMMERCIAL BANKS IN MALAYSIA

1.0 INTRODUCTION

Profitability is defined as a company's capacity to create revenues that exceed its expenses by utilizing its available resources. To put it another way, this is a measure of a company's ability to generate profits from its operations. The importance of banks and their contribution to the economic development of any country have piqued the interest of academic researchers who have conducted significant research on the subject. Banks are the most important component of any country's financial system, and they are also major participants in the financial markets of any country.

An effective financial system progresses banks in injecting funds to borrowers, resulting in bank profitability. Banks make money by lending money to businesses and individuals. Banks frequently operate aggressively to better serve their consumers in all areas. With the current economic situation and political upheavals, it is important for banks to produce more profit to keep their place in the industry. The ability of banks to absorb negative economic pressure indicates their financial stability and soundness to sustain financial system resilience. The new government's banking policy is also affected.

Loan growth is a major aspect in growing banks' revenue and hence measuring their profitability. An exceptional loan growth reflects a bank's quality in serving borrowers with cheap fees, followed by a credit standard benchmark. Credit standards assist banks identify a potential borrower's creditworthiness, reducing loan defaults. The major sources of income for banks include loans and advances, financing, investments, interest, and deposits. Bank profit is rolled to finance surplus to deficit unit, with most of it coming from foreign investment. Instead of focusing on expanding their wealth, banks advertise their banking business to maximize shareholder return with strong dividend yield.

Commercial banks in Malaysia have had around moderate loan growth. Because of the differences in bank sizes and asset allocations, the revenue earned by each bank varies. As previously stated, banks derive the majority of their income from the charging of interest on loans. The lending business is unquestionably the most natural aspect of the banking industry, serving as a financial institution's lifeline. Thus, the purpose of this study was to investigate the impact and relationship between determinants of internal factors on the profitability of Malaysian commercial banks.

2.0 LITERATURE REVIEW

2.1 Theorical Studies

i. Capital structure irrelevance theory

Modigliani and Miller (1958) discovered the capital structure irrelevance theory, in which firm value is unaffected by its capital structure in the light of a perfect capital market. Under the assumptions of perfect capital market, bankruptcy cost, taxation, barriers to entry, and deposit insurance do not exist. Besides, all relevant information is publicized, and bank management no longer owns private information, leading to the situation that both creditors and shareholders are symmetrically informed of bank investment payoffs. Under these circumstances, it is proved that no longer does optimal debt to equity exist and capital structure is irrelevant to equity holders' wealth. Thus, management can randomly select the composition of capital

ii. Buffer theory

Buffer theory of Calem and Rob (1999). It is predicted that, in order to prevent incurred costs from a breach of capital requirement, banks are motivated to boost their equity to meet regulatory minimum capital ratio as well as minimize risks. In contrast, undercapitalized banks may also have a temptation of taking more risks in exchange for higher expected returns which will help them to raise capital (Ochei, 2013).

2.2 Emperical Studies

i. The relationship between ROA and profitability.

ROA demonstrates how well a business is able to maximize its assets to produce profits. The greater the ROA, the more efficiently the company uses its assets to generate profits (Santoso & Samboro, 2022). The majority of previous research used ROA to determine profitability, for instance, Sufian & Habibullah (2009), Al-Homaidi et al., (2018). [NABS(1] Size, liquidity, leverage, sales growth, and gross domestic product were studied as IVs, while the ROA was utilized to measure corporate profitability. Ordinary least squares (OLS) and fixed-effects estimation were used to evaluate the data of 161 publicly traded firms from 2001 to 2012. Leverage has a negative and substantial link with ROA, while size, liquidity, and sales growth have a positive and significant relationship with ROA. The gross domestic product, on the other hand, has no meaningful association with ROA. In general, in today's economy, where fierce competition reigns supreme and all processes are heavily reliant on data, a company's success necessitates precise metrics and management methods (Alarussi & Alhaderi, 2018). The study by Dao & Nguyen (2020) find the positive relationship between ROA and profitability and consistent with other paper expectations and SCP paradigm. In the SCP paradigm, the collusion hypothesis suggested that a small number of banks may coordinate in order to obtain higher interest rates on loans and lower costs on client deposits. As a result, the bank might be more profitable because the market is more concentrated. In addition, the study by Yuan et al., (2022), whose objective was to look into the influence of determining factors on the profitability of Asian nations with a focus on Bangladesh and India, discovered that ROA has a considerable impact on the profitability of commercial banks.

ii. The relationship between capital ratio and profitability.

A bank's capital ratio is the proportion of its capital to risk-weighted assets. Risk-sensitivity ratios are used to define weights, and their calculation is governed by the relevant agreement. In order for the capital ratio in the banking industry to be effective, there must be a balance between the assets and liabilities possessed. Additionally, by comparing the capital to the bank's risk-weighted assets, the capital ratio can be used to assess how well the bank's capital can be used to reduce potential risks (Farkasdi et al., 2021). The study by Hoffmann (2011) found that there is a negative relationship between capital ratio and profitability. In other words, an unanticipated increase in capital tends to reduce the bank's profitability. This negative relationship makes intuitive sense and is consistent with the one-period stand-alone model with asymmetrical knowledge between the bank and its individual investors. Because there is a negative relationship between capital ratio and profitability, commercial banks should keep capital only adequate to meet regulatory requirements so that there is no breaching cost; also, a bank can use capital to engage in profitable ventures (Dao & Nguyen, 2020). Based on research conducted by Gurung & Gurung, (2022) on the Nepali banking industry, it is evident that the capital ratio made a negligible contribution to the profitability of commercial banks, indicating that these institutions are unable to effectively use their capital resources even when they meet the Nepal Rastra Bank's minimum standards. However, Iskandar et al., (2019) studies revealed that capital strength, as measured by equity to total assets, is a key factor in bank profitability. This finding also supported by (Gul et al., 2011) in their study. They discovered that having more cash allows them to easily meet their stringent capital requirements, allowing them to have more funds available to lend to borrowers and so improve their revenues and earnings.

iii. The relationship between liquidity risk and profitability.

Liquidity risk is the possibility that the bank won't be able to meet obligations that are due from reliable sources of cash flow funding or liquid assets without impairing its financial operations and circumstances. Companies' liquidity often refers to their ability to meet current or short-term liabilities with current assets. A company's value is partly determined by the amount of cash it generates after paying off its debts. Banks must maintain a minimum liquidity coverage ratio (LCR) of 90 percent, according to BNM's report, which has been in place since January 1, 2018. The requirement for LCR to gradually increase by 10% annually is intended to promote High Quality Liquid Asset (HQLA) in the event of a 30-day liquidity crunch. According to research of Malaysian commercial banks (CB's), short-term liquidity risk is more vulnerable in Islamic Banks (IBs), particularly when real estate finance is involved, but not in CBs. The real estate sector is more concentrated against liquidity risk due to banks' incompetence in assessing default borrowers, according to this study, which looked at commercial banks in Malaysia for over 20 years, from 1994 to 2014. Nonetheless, CBs had no effect on liquidity risk in the medium run, despite the fact that greater funding may reduce bank liquidity risk. According to the survey, IBs have reduced their funding to reduce liquidity risk. Banks with large amounts of finance, on the other hand, tend to keep more capital, resulting in greater liquidation (Iskandar et al., 2019). Moreover, the study by Dao & Nguyen (2020)concludes that the relationship between liquidity risk and profitability is positive. Both poor liquidity and high liquidity may lead to poor performance of banks. According to Cofitalan (2022) research findings, profitability is positively and significantly impacted by liquidity risk. Positive influence suggests that any increases in the loan-to-deposit ratio (LDR) will be followed by increases in profitability. For example, when credit gets channeled more, the bank will receive more income from the credit and be better able to turn a profit. The poor liquidity position of a bank can expose banks to bankruptcy, while high liquidity indicates inefficient performance. Previous research has discovered a relationship between liquidity and bank profitability that is both negative and favorable (Ali et al., 2022).

iv. The relationship between size of the bank and profitability.

The size of a company's activities dictates the degree of production and, as a result, the amount of money it makes. A business can be run on a large, moderate, or small scale. Tharu & Shrestha, (2019), the goal of their study was to see if the size of a bank had an impact on its profitability. Nevertheless, the results of various experiments revealed that the size of the bank had no major impact on profitability (assets). This result is also shown in the study by Dao & Nguyen (2020), Ali et al. (2022). However, another study by Alarussi & Alhaderi (2018) proves that large businesses use multiple marketplaces to promote their products, which improves their performance and leads to higher profits. As a result, the resource-based theory is supported. As a business grows in size, it becomes easier for it to obtain additional financial resources which results in lower capital costs and higher profits. Abdilahi & Davis (2022) findings point to the size of the bank's profitability as having a substantial favorable impact. The study found that large banks with significant asset bases typically have larger-scale economies, which boosts their profitability by lowering operating expenses. This statement is also supported by Tri et al., (2022), Le et al., (2022) in their studies. The strength of the banking fundamentals will increase as a bank's size increases, which will ultimately influence the bank's ability to increase profitability. The size of banks indicates that the bank has greater resources and is more flexible in innovating or expanding (Farkasdi et al., 2021).

3.0 METHODOLOGY

The primary goal of this study is to determine the elements that influence commercial bank profitability in Malaysia. This research looked at ten Malaysian commercial banks during a ten-year period, from 2011 to 2021. The sample of ten commercial banks are Hong Leong Bank Bhd, Hong Leong Financial Group, CIMB Group Holding, Malayan Banking Bhd, Malaysia Building Society Berhad, Affin Bank Bhd, AMMB Holdings Berhad, Public Bank Bhd, RHB Bhd and Alliance Bank Malaysia. The data was utilized from Refinitiv Eikon Datastream in Microsoft Excel and the method use in this research is Static Panel Data Analysis model.
The variables used in this study are dependent and independent variables. The dependent variable of this research is profitability. Profitability is a company's ability to use its existing resources to generate revenues that exceed its expenses. The proxy or measurement use for profitability is Return on Equity (ROE) with the formula is:

$$\textbf{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

Next, there are four independent variables in this research which are Return on Asset (ROA) as a proxy for profitability, capital ratio with capital adequacy ratio as its proxy, liquidity risk with loan to deposit ratio as its proxy and size of bank with total asset as its proxy. The formula for all the independent variables is:

Independent Variables	**Equations**
Return on Asset (ROA)	$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$
Capital Ratio	$\text{Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital + Tier 2 Capital}}{\text{Risk Weighted Assets}}$
Liquidity Risk	$\text{Loan To Deposit Ratio} = \frac{\text{Total Loans}}{\text{Total Deposits}}$
Size of Bank	Log Total Asset

3.1 Model Specification

3.2 Data Analysis

The aim of this study is to investigate the relationship between Profitability and independent variable with the equation can be express as follows:

$$\boldsymbol{PROF_{it}} = \alpha + \beta_1 ROA_{it} + \beta_2 CR_{it} + \beta_3 LIQ_{it} + \beta_4 SIZE_{it} + \varepsilon_{it}$$

Where,

$PROF_{it}$	=	Profitability of Bank
$\beta_1 ROA_{it}$	=	Return on Asset
$\beta_2 CR_{it}$	=	Capital Ratio
$\beta_3 LIQ_{it}$	=	Liquidity Risk
$\beta_4 SIZE_{it}$	=	Size of Bank
ε_{it}	=	Error term
α	=	Intercept
β_1 to β_5	=	Estimated coefficients of the independent variables

Move to the data analysis steps, after gathering data from the Refinitive Eikon Datastream, data cleaning need to be done before transforming it to another new one before proceeds to the next step. The next step is we choose the most appropriate panel data estimator. During this step, the static has been chosen by using Panel specification tests. Under Panel specification tests, there are F-test, BP-LM test and Hausman test that need to be performed in order to know the most appropriate model to be used for final estimation in this study whether Pooled Ordinary Least Squares (POLS), Random Effect (RE) or Fixed Effect (FE). The final step is to conduct diagnostic tests. This is to know whether the problem exists in the research in term of multicollinearity, heteroscedasticity and serial correlation. It needs to rectify the problems when these problems exist in the study.

4.0 FINDINGS

4.1 Descriptive Studies

Table 1 summarizes the data on the profitability of Malaysian commercial banks and the factors that affect it. It represents the descriptive statistics of investigation variables that used for modelling commercial banks performance in Malaysia from 2011 to 2020. As for Table 1, the result shows that all variables have a positive mean value. The highest mean among all variables is capital ratio (CAP) and profitability (PROF) with 17.11 and 11.67 respectively. While the lowest mean among the variables is liquidity risk (LIQ) with 0.97. This shows that the average Malaysian commercial bank's managing of its cost to income appears to be relatively efficient as the mean is below 50%. Moreover, the highest standard deviation is profitability (PROF) with 7.12. The size of the bank (SIZE) shows a minimum value of 7.24 percent and maximum with 8.95 percent. However, the minimum and maximum values for Return on Assets (ROA) is lesser that size of the bank which are -2.07 and 2.83 respectively.

Table 1: Descriptive statistic

Variables	Obs	Mean	Standard Deviation	Min	Max
PROF	109	11.66835	7.124254	-23.04	43.07
ROA	104	1.194038	.4909917	-2.07	2.83
CAP	96	17.11146	2.491073	12.78	25.98
LIQ	110	.9682732	.1747087	.5059757	1.613183
SIZE	110	8.224752	.4057681	7.23967	8.947761

Notes:

(1) All the explanatory variables in the model are Profitability (PROF), Return on Assets (ROA), Capital Ratio (CAP), Liquidity Risk (LIQ), Size (SIZE).

4.2 Correlation Analysis

Table 2 indicates for Correlation Analysis of Key Determinants of Profitability. The result shows a positive correlation between profitability (PROF) with 2 other types of variables: Return on Assets (ROA) and liquidity risk (LIQ) for commercial banks in Malaysia. Moreover, PROF also shows a positive significant relationship at 1% with Return on Assets (ROA) and capital ratio (CAP). This means that a positive relationship demonstrated that a big commercial bank may benefit from economies of scale and produce higher profits. However, the result suggest that profitability is likely to increase with the increase of all the variables except capital ratio (CAP) and size of bank (SIZE). This is because capital ratio (CAP) shows a negative significant relationship at 1%. Thus, these two variables show negatively correlation with profitability.

Table 2. Correlation analysis

	PROF	ROA	CAP	LIQ	SIZE
PROF	1.0000				
ROA	0.8327***	1.0000			
	(0.0000)				
CAP	-0.2877***	-0.1119	1.0000		
	(0.0047)	(0.2937)			
LIQ	0.1506	0.2004**	0.2955***	1.0000	
	(0.1181)	(0.0414)	(0.0035)		
SIZE	-0.1042	-0.1106	-0.0855	-0.4462***	1.0000
	(0.2811)	(0.2636)	(0.4075)	(0.0000)	

Notes:

(1) All the explanatory variables in the model are Profitability (PROF), Return on Assets (ROA), Capital Ratio (CAP), Liquidity Risk (LIQ), Size (SIZE).
*(2) *p < 0.1, **p < 0.05, ***p < 0.01*

4.3 Panel Specification

Several diagnostic tests were run for investigation to rule out the presence of multicollinearity, heteroskedasticity and serial correlation problems. There are three available alternatives which are pooled ordinary least squares (POLS), fixed effects (FE), and random effects (RE) models. As in Table 3 below, the results of the F-test (p-value < 0.05), BP-LM test (p-value < 0.05) and Hausman test (p-value < 0.05) suggest that Fixed Effect technique is the most appropriate model estimator.

Table 3: Panel Specification

Models	F-test	BP-LM	Hausman	Technique
Model 1	0.0000	0.0000	0.0000	Fixed Effect

4.4 Fixed Effect Regression

As shown in Table 4, the findings of regression coefficient model were using multiple variables. The regression model resulted that return on assets (ROA) and size of bank (SIZE) are significantly affecting the profitability of commercial banks in Malaysia. The ROA variable shows a significant positive relationship that means the profitability increase together when ROA increase. This led to ROA of 8.66 coefficient and 0.000 standard error. However, SIZE shows a significant negative relationship with profitability, which means that when profitability decrease, the SIZE will increase. This can be shown when the coefficient of SIZE is -17.44 and 0.000 of standard error. The other two variables which are capital ratio (CAP) resulted insignificant negative relationship with -0.03 coefficient and 0.77 standard error and liquidity risk (LIQ) shows an insignificant positive relationship with 1.75 coefficient and 0.32 standard error.

Table 4: Fixed effects regression

	Fixed effects
ROA	8.657917***
	(0.000)
CAP	-.025489
	(0.775)
LIQ	1.746638
	(0.321)
SIZE	-17.44016***
	(0.000)

Notes:

(1) All the explanatory variables in the model are Profitability (PROF), Return on Assets (ROA), Capital Ratio (CAP), Liquidity Risk (LIQ), Size (SIZE).

*(2) *p < 0.1, **p < 0.05, ***p < 0.01*

5.0 CONCLUSION

This paper study to determine and analyze the determinants of profitability of commercial banks from 2011 to 2021 and the data is gathered from 10 commercial banks in Malaysia. This paper was also measured by the determinants of bank's profitability in term of return on assets (ROA), capital ratio (CAP), liquidity risk (LIQ) and size of bank (SIZE). It was determined through analysis that the Fixed Effect method is the best model estimator after a lot of diagnostic tests were conducted. Based on the result of fixed effects regression, it suggests that return on assets (ROA) has significant positive relationship with profitability while size of bank (SIZE) has significantly negative relationship with the profitability of commercial banks in Malaysia. However, the other two variables which are capital ratio (CAP) and liquidity risk (LIQ) are insignificantly affecting the bank's profitability and it should not include in the model. This is because capital ratio and liquidity risk were not significant variables in the analysis of the bank's profitability. Therefore, more general applications of the results to other countries are possible or it may use a different form of bank, such as an Islamic bank, to examine the effects of specific internal factors on profitability.

According to the findings of the prior study, firms should review their profit-oriented strategies in light of the factors that have a big impact on the profitability of commercial banks in Malaysia. There are a few limitations in this study. The first limitation during this research is the scope of the study. For this research, we only use ten commercial banks that are listed in Bursa Malaysia. This is also has resulted in excluding the Islamic banking from this research. The scope of our study become restricted since we only use commercial banks that are only based in Malaysia in our research. Hence, we recommended for future researchers to use many banks in different countries such as ASEAN country in their research to come out with more interesting findings. Another challenge is that Malaysia is the only country on which we have concentrated our research, thus there is no comparison with other developed or developing nations. If we had been able to compare the commercial banks in our own country to those in other foreign countries with diverse economic backgrounds, the situation may have been different.

Next, the limitation on data accessibility. One source, Eikon, from which the data for this study was obtained. Due to password and identification restrictions in our circumstances, we had trouble getting data from Eikon. Therefore, further researchers should continue this study by utilizing a variety of other sources, such as statistics from the World Bank. There is a time constraint for finishing this paper as a student receiving practical training, but it can be circumvented by planning and scheduling the work that needs to be done so that it can be finished within the designated time range. Also limiting our resources from prior years is the short span, which is from 2011 to 2020. If we were to do our assignment in a location where Covid-19 didn't occur, the research findings might be less reliable. Due to nation-imposed restrictions to limit the harm done to the economy and the well-being of the population, the Covid-19 pandemic has caused pandemonium globally and virtually every economic sector has been shut down. One of the industries that took a significant hit from the pandemic was banking.

The restrictions lead us to the conclusion that streamlining the study's requirements and scope will be far more advantageous to both researchers and other interested parties. The research might be completed quickly with the help of a straightforward set of rules, which would also make the preparation and submission of the research less time- and resource-intensive. This leads to the second recommendation. When opposed to comparing only with other unrelated sectors inside the nation, comparing local commercial banks with foreign commercial banks would enable us researchers to produce more accurate and dependable results. Last but not least, the commercial banks' performance and outcomes would be better if the period of time chosen for data collection was free from significant or worldwide catastrophic occurrences like a pandemic or natural disaster.

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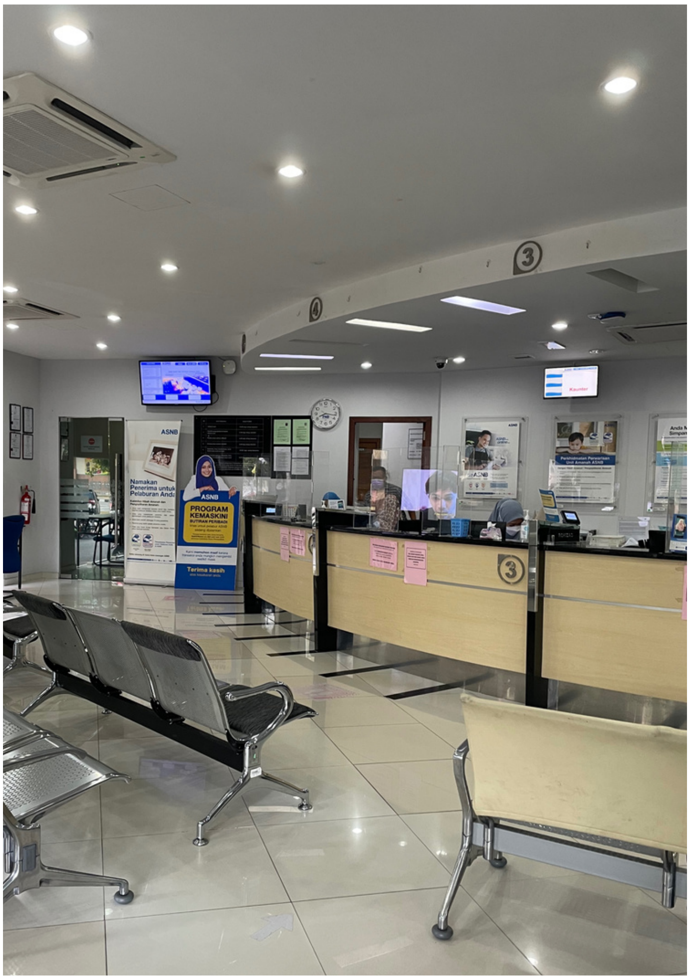
APPENDICES


ASNB
Ambil Peluang
Manfaatkan Kuasa Faedah Kompaun
PENANG


ASNB
Namakan Penerima untuk Pelaburan Anda
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PROGRAM KEMASKINI
Terima kasih