

**FACTORS INFLUENCING ISLAMIC BANK'S
PERFORMANCE: A CASE STUDY OF ISLAMIC
BANK'S IN MALAYSIA**

by

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ABSTRACT

The aim of this research is to find out the factors that influence performance of Islamic banks in Malaysia. The variables utilized are bank characteristics (internal) and macroeconomic factors (external). The bank characteristic variables are capital ratio, bank size and liquidity ratio and macroeconomic variables are Gross Domestic Product, (GDP), inflation and money supply. The Islamic banks performance is measured by Return on Asset (ROA). Secondary data was collected from eight Islamic banks in Malaysia from 2005 to 2012. The financial ratiotechniques were applied to calculate the variable and Panel Least Square was used to run the regression model. The findings show that all variables contribute 65.3% to the Islamic banks performance in Malaysia. Four factors namely bank size, Gross Domestic Product (GDP), inflation and money supply are significant determinants of Islamic banks performance in Malaysia. The findings of this study may also be extended to Islamic banks performance of other countries and also the field of performance of Islamic banks.

ABSTRAK

Tujuan kajian ini adalah untuk mengetahui prestasi faktor pengaruh bank-bank Islam di Malaysia. Pembolehubah yang digunakan ialah ciri-ciri bank (dalaman) dan faktor makroekonomi (luaran). Ciri pembolehubah bank adalah nisbah modal, saiz bank dan nisbah tunai manakala pembolehubah makroekonomi adalah Keluaran Dalam Negara Kasar (KDNK), inflasi dan bekalan wang. Prestasi bank Islam diukur dengan Pulangan atas Aset (ROA). Data sekunder dikumpulkan daripada lapan buah bank Islam di Malaysia dari 2005 hingga 2012. Teknik nisbah kewangan telah digunakan untuk mengira pembolehubah ini dan Panel Kurang Persegi telah digunakan untuk menjalankan model regresi. Hasil kajian menunjukkan bahawa semua pembolehubah menyumbang sebanyak 65.3% kepada prestasi bank-bank Islam di Malaysia. Antara empat faktor tersebut iaitu saiz bank, Keluaran Dalam Negeri Kasar (KDNK), inflasi dan bekalan wang merupakan penentu penting prestasi bank-bank Islam di Malaysia. Kajian ini juga boleh diperluaskan terhadap prestasi bank-bank Islam di negara-negara lain dan juga bidang prestasi bank Islam.

TABLE OF CONTENTS

Abstract.....	i
Abstrak.....	ii
Declaration.....	iii
Acknowledgement.....	iv
Table of contents.....	v
List of tables.....	vi
List of figures.....	vii
Abbreviations	viii

CHAPTER ONE: INTRODUCTION

1.1.Introduction.....	1
1.2.Background of the study.....	1
1.3.Problem Statement.....	4
1.4.Research Objectives.....	8
1.5.Research Questions.....	9
1.6.Significant of the Study.....	10
1.7.Scope of the Study.....	11

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction	12
2.2. Previous literature on Islamic banks performance.....	12
2.2.1. Capital ratio.....	24
2.2.2. Liquidity ratio.....	26
2.2.3. Bank size.....	27
2.2.4. Gross Domestic Product.....	29
2.2.5. Inflation.....	31
2.2.6. Money supply.....	32

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction.....	35
3.2. Research Design.....	35
3.3. Data collection.....	36
3.4. The variable of the performance.....	36
3.4.1. Dependent variable.....	36
3.4.2. Independent variables.....	37
3.4.3. Conceptual framework.....	38
3.5. Gross Domestic Product.....	39
3.6. Inflation.....	39
3.7. Money supply.....	40
3.8. Capital ratio.....	40

3.9. Bank size	41
3.10. Liquidity ratio.....	41
3.11. Methodology.....	42
3.12. Sample selection.....	43
3.13. Data analysis.....	45
3.14. Summary.....	45

CHAPTER FOUR: ANALYSIS AND FINDINGS

4.1. Introduction.....	46
3.4.1. Comparative statement of ROA and Net Income of each Islamic Banks.....	46
14.3. Descriptive Statistics.....	50
14.4. Correlation Analysis.....	53
4.5. Regression Analysis.....	56
3.6. Hypothesis Testing.....	62

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1. Introduction.....	64
3.4.1. Summary of objectives and findings.....	64
15.3. Recommendation, limitation and further research.....	67
15.4. Conclusion.....	68
References.....	69
Appendix.....	78