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FACTORS AFFECTING THE FINANCIAL PERFORMANCE OF MALAYSIAN BANKS

By

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(International Accounting)
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FACTORS AFFECTING THE FINANCIAL PERFORMANCE OF MALAYSIAN BANKS

ABSTRACT

This paper aims to study the different factors affecting the financial performance of Malaysian banks by examining the relationship of credit risk, liquidity, operating efficiency, and size, to the financial performance. A five-year period study was conducted that is from 2011 to 2015. Data were extracted from the annual reports of banks and included information from the income statement, balance sheet, and notes to the accounts published in websites of the banks. The study covered 33 commercial banks including local and foreign owned conventional and Islamic banks. Statistical Package for the Social Sciences were used to analyze the data, and normality tests included the Shapiro-Wilk’s test and Kolmogorov-Smirnov test as well as skewness and kurtosis tests. Multiple regression has been used to determine relationships between the variables. The findings of the study show a significant positive relationship between liquidity, size, and operational efficiency and financial performance, whereas credit risk and financial performance show a positive relationship. The results of this study are useful for depositors, bank managers, shareholders, investors, regulators, and academicians because it shows the current economic situation and the recent financial condition of the banks. In addition, for a tax authority point of view, this study provides a basis for determining cases and issues upon which to focus in the auditing banking industry.

Keywords: financial performance, credit risk, liquidity, operating efficiency, and size.
FAKTOR-FAKTOR YANG MENPENGARUHI PRESTASI KEDUDUKAN KEWANGAN BANK DI MALAYSIA

ABSTRAK


Kata kunci: prestasi kewangan, risiko kredit, kecairan, kecekapan operasi dan saiz
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# TABLE OF CONTENTS

CERTIFICATION OF THESIS WORK ................................................................. iii
PERMISSION TO USE ................................................................................... iv
ABSTRACT ........................................................................................................ v
ABSTRAK ......................................................................................................... vi
ACKNOWLEDGEMENT .................................................................................... vii
TABLE OF CONTENTS ................................................................................... viii
LIST OF TABLE ............................................................................................... x
LIST OF FIGURE ............................................................................................. xi
LIST OF ABBREVIATIONS ............................................................................... xii

## CHAPTER ONE: INTRODUCTION .............................................................. 1
1.0 Background of the Study ........................................................................... 1
1.1 Problem Statement ................................................................................... 5
1.2 Research Questions .................................................................................. 8
1.3 Research Objectives ................................................................................ 8
1.4 Significance of the Study .......................................................................... 9
1.4.1 Theoretical Contributions .................................................................. 9
1.4.2 Practical Contributions ....................................................................... 10
1.5 Scope and Limitation of the Study ............................................................ 11
1.6 Assumption of the Study ......................................................................... 12
1.7 Organisation of the Study ....................................................................... 12

## CHAPTER TWO: LITERATURE REVIEW ................................................. 14
2.0 Introduction ............................................................................................... 14
2.1 Overview of Banks in Malaysia ............................................................... 14
2.1.1 Conventional Banks .......................................................................... 15
2.1.2 Islamic Banks ................................................................................... 16
2.2 Theoretical Background ......................................................................... 16
2.2.1 Agency Theory .................................................................................. 17
2.2.2 Conventional Economic Efficiency Theory ...................................... 21
2.3 Prior Studies and Hypothesis Development ............................................ 22
2.4 Conclusion ............................................................................................... 32

## CHAPTER THREE: RESEARCH METHODOLOGY ................................. 34
3.0 Introduction ............................................................................................... 34
3.1 Conceptual Framework .......................................................................... 34
3.2 Hypothesis of Study ............................................................................... 35
3.3 Research Design ...................................................................................... 35
3.4 Research Population and Sample ............................................................ 35
3.5 Measurement ............................................................................................ 37
3.6 Data Collection, Technique and Analysis ................................................. 40
3.7 Conclusion ............................................................................................... 43
**LIST OF TABLES**

Table 1-1 Banking System: Gross and Net Interest Margin ........................................... 3

Table 1-2 List of Licensed Banks in Malaysia ................................................................. 12

Table 2.1 Summary of Underpinning and Supporting Theory ......................................... 22

Table 2.2 Summary of Previous Studies ........................................................................... 32

Table 3.1 List of licensed Commercial and Islamic Bank in Malaysia ......................... 36

Table 3.2 Summary of the Measurement ........................................................................... 39

Table 4.1 Correlation Matrix ........................................................................................... 45

Table 4.2 Test of Normality ............................................................................................... 47

Table 4.3 Descriptive Statistics of Skewness and Kurtosis ........................................... 48

Table 4.4 Descriptive Statistics Correlation Matrix ..................................................... 55

Table 4.5 Regression Model Summary .............................................................................. 56

Table 4.6 Coefficient ......................................................................................................... 57
LIST OF FIGURES

Figure 1-1 Banking System: Gross and Net Interest Margin ........................................ 2
Figure 3-1 Conceptual Framework ............................................................................. 34
Figure 4-1 Histogram of Return of Assets .................................................................. 49
Figure 4-2 Histogram of Credit Risk ......................................................................... 50
Figure 4-3 Histogram of Liquidity ............................................................................. 50
Figure 4-4 Histogram of Operating Efficiency ............................................................ 51
Figure 4-5 Histogram of Bank Size ............................................................................ 51
Figure 4-6 P-Plot of Return of Assets ........................................................................ 52
Figure 4-7 P-Plot of Credit Risk ............................................................................... 53
Figure 4-8 P-Plot of Liquidity .................................................................................. 53
Figure 4-9 P-Plot of Operating Efficiency ................................................................. 54
Figure 4-10 P-Plot of Bank Size ................................................................................ 54
# LIST OF ABBREVIATION

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blueprint</td>
<td>Financial Sector Blueprint</td>
</tr>
<tr>
<td>BNM</td>
<td>Bank Negara Malaysia</td>
</tr>
<tr>
<td>CA</td>
<td>Current Assets</td>
</tr>
<tr>
<td>CL</td>
<td>Current Liability</td>
</tr>
<tr>
<td>CR</td>
<td>Current Ratio</td>
</tr>
<tr>
<td>CREDITRISK</td>
<td>Credit Risk</td>
</tr>
<tr>
<td>FSA</td>
<td>Financial Services Act</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IFSA</td>
<td>Islamic Financial Services Act</td>
</tr>
<tr>
<td>IRBM</td>
<td>Inland Revenue Board of Malaysia</td>
</tr>
<tr>
<td>LIQUIDITY</td>
<td>Liquidity</td>
</tr>
<tr>
<td>OPERATING</td>
<td>Operational Efficiency</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>SIZE</td>
<td>Bank Size</td>
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CHAPTER ONE: INTRODUCTION

1.0 Background of the Study

This chapter comprises seven parts that begins with the background of the study and problem statements. Then it continues by research questions and objectives. It follows by significance, the scope and limitations of study. Finally the assumptions and the organization of the study.

Banking institutions are a principal economic sector contributing to the development of a country, playing a significant and important role in the management and allocation the nation economic resources. Banks take deposits from public who wish to save their money and in return, banks pay interest to savers. Fund deposited are then channelled to investors and borrowers, and banks earn their revenue from interest received. As a result, the public and depositors, investors and borrowers, government and regulators are all parties who are concerned with the financial performance of the banks. The public and depositors are concerned with the amount of returns they will get from their saving, investors and borrowers care about how much interest they must pay for loans, and government and regulators focus on the soundness, efficiency and integrity of banking system as banks must comply with all regulations, requirements, guidelines and restrictions as their operation will affect the country’s economic and social environment.

Managing the flow of funds in the system makes banking unique industry. How banks manage funds is reported in their annual financial reporting, and bank performance is
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REFERENCES


