

DETERMINANTS OF ISLAMIC BANKING PERFORMANCE: AN EMPIRICAL STUDY IN MALAYSIA (2007 TO 2016)

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performance.

Methodology: The methodology being used to analysis are an ordinary least square model (OLS) and fixed-effect model. The analysis was conducted in Malaysia for a period of 10 years from 2007 to 2016. 10 Islamic banks in Malaysia were chosen to be tested for its performance. The study examines internal factors such as bank size, capital adequacy, liquidity, credit risk, and expense management and external factors such as Gross Domestic Product (GDP) and inflation effect on Islamic Bank's performance in terms of return on asset and return on equity.

Result: The findings showed that only capital adequacy and inflation significantly affect the Islamic bank's performance. However, bank size, liquidity, credit risk, expense management, and Gross Domestic Product were found to be insignificantly affecting the Islamic bank's performance. The analysis was carried out by applying ordinary least square model (OLS) regression and fixed-effect model.

Applications: This research can be used for universities, teachers, and students.

Novelty/Originality: In this research, the model of the Determinants of Islamic Banking Performance: An Empirical Study in Malaysia is presented in a comprehensive and complete manner.

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