

**CONTRIBUTORY DETERMINANTS INFLUENCING TOTAL ASSETS OF COMMERCIAL
BANKS IN MALAYSIA (2008 - 2010)**



**RESEARCH MANAGEMENT INSTITUTE (RMI)
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA**

BY :

**HASROLEFFENDY HASSAN
ASSOC. PROF. DR. MAZNAH WAN OMAR
AHMAD YUMNI ABU BAKAR**

JANUARY 2012

Contents

1. Letter of Report Submission.....	iii
2. Letter of Offer (Research Grant).....	iv
3. Acknowledgements.....	v
4. Enhanced Research Title and Objectives.....	vi
5. Report.....	1
5.1 Proposed Executive Summary.....	1
5.2 Enhanced Executive Summary.....	3
5.3 Introduction.....	4
5.4 Literature Review.....	18
6. Research Outcomes.....	46
7. Appendix.....	47

1. Letter of Report Submission

1 January 2012

Professor Dr Abu Bakar bin Abdul Majeed
Penolong Naib Canselor
Institut Pengurusan Penyelidikan (RMI)
Universiti Teknologi Mara
40450 Shah Alam, Selangor
Malaysia

Assalamualaikum,

SUBMISSION OF FINAL RESEARCH REPORT

Enclosed herewith the aforementioned research report: **“CONTRIBUTORY DETERMINANTS INFLUENCING TOTAL ASSETS OF COMMERCIAL BANKS IN MALAYSIA (2008 – 2010)”** to fulfill the requirements of Excellence Fund.

Thank you.

Yours faithfully,



Hasroleffendy Hassan
Principal Researcher

3. Acknowledgements

Praise is to the Almighty Allah s.w.t., and peace and blessings be upon Prophet Muhammad s.a.w. We would like to express our humble gratefulness to the Almighty Allah s.w.t for giving us his blessings through good strength, ideas, creativities, patience and determination that help us to complete this research report in time. This manuscript is dedicated to our beloved parents and family, and may Allah s.w.t grant them his mercy for the loving wisdom with which they have nourished us. We also wish to record our sincere appreciation and thanks to our spouses, families, respectable lecturers and teachers for their kind support and sincere help.

Our special thanks are also due to all party's which had contributed their precious materials and information for this dissertation.

All their prayers, assistance and support are beyond repayment. May Allah S.W.T. reward them with excellence in this world and hereafter.

5.2 Enhanced Executive Summary

Abstract

In tandem with the impending full liberalization of global economy and Basel III requirements in 2015, most commercial banks worldwide might encounter the risks of being taken over by larger bank given that the entry of larger foreign banks into local industries can no longer be restricted. Size of a bank is founded on the volume of its total assets. Therefore, it is imperative for commercial banks to be in the know about the macroeconomic factors that might affect their total assets. In this dissertation, macroeconomic determinants of total assets volume for commercial banks in Malaysia was scrutinized in 2008 – 2010 intervals (post 2008 financial turmoil) via quarterly data through multi-variate single-equation regression method and correlation. Regression results advocate that all the macroeconomic determinants in this thesis have statistically significant impact on total assets of the banks. The empirical findings demonstrate that Base Lending Rate (BLR) together with Foreign Exchange Rate (FER) are negatively interrelated to total assets of the banks. On the contrary, Foreign Direct Investment (FDI) has positive relationship with the same dependent variable (DV). The most influential factor against total assets of the banks is BLR. Albeit correlations techniques in this paper signify that BLR, FER as well as FDI have not significantly explained the variations in total assets of the Malaysian banking sector, it is noteworthy that the empirical findings produce similar results as regression methods whereby BLR and FER are negatively correlated to total assets whereas FDI has positive relationship with total assets.