



UNIVERSITI TEKNOLOGI MARA

**THE INTERRELATIONSHIP OF COVID-19
TOWARDS FINANCIAL SERVICES SECTOR:
EVIDENCE FROM MALAYSIA**

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ABSTRACT

With the outbreak of Coronavirus (Covid-19) pandemic that started in the city of Wuhan, China back in December 2019, the government of Malaysia announced a movement control order (MCO) after there were local active cases recorded in March 2020. Many parties got affected by the MCO implementation from the shutdown of small-medium enterprise (SME) to people were prohibited in travelling to workplace. These shocks had given a huge impact to many industries in Malaysia, mainly towards financial services sector. Banks have their hands full in light of the pandemic, since borrowers and businesses are likely to start seeking financial relief due to job losses, slowed sales, and declining profits. Bank Negara Malaysia (BNM) had taken an initiative as one of the efforts to ensure Malaysia's financial stability by generating moratorium for borrowers, those who got affected financially due to the Covid-19 lockdowns. This in turn has affected the volatility of financial services sector. This article focuses on the interrelationship of Covid-19 cases in Malaysia, China, and the United States, as well as Malaysia's non-performing loan, towards financial services sector in Malaysia. From the findings of this research, all independent variables have positive relationship and significant to the dependent variable which was proven by the p-value resulted less than 5% level of significance.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter will discuss the background of the study, problem statement, research questions, as well as research objective, significance of the study, scope of the study, limitations of the study and definition of key terms with overall summary for this chapter.

1.2 Background of the study

The Coronavirus (COVID-19) pandemic has become a “hot topic” evoking great interest across boundaries. The illness onset was on December 31, 2019 with dozens of mysterious pneumonia cases emerging in the city of Wuhan, in the Hubei region of China (Sohrabi et al., 2020). In less than 3 months, the outbreak then has spanned rapidly to every corner of the globe. This infectious disease hit 113 million of infections and has tragically taken the lives of more than 2.5 million individuals (Mahajan, A., 2020) attributed to the COVID-19 have been reported in more than 200 countries wherein Malaysia’s first confirmed case was recorded on January 25, 2020. On March 11th, 2020, the World Health Organization declared the COVID-19 as “a global pandemic” (WHO, 2020).

In Malaysia, the first COVID-19 cases were recorded on January 25, 2020 and increased to 25 cases by the end of February 2020. The number of cases increased dramatically from 25 cases on March 1, 2020 to 2,626 cases on March 31, 2020. Due to the outbreak, the government of Malaysia implemented a movement control order (MCO) with restrictions to combat the virus from continuously spreading. Many parties got affected by the MCO implementation, not only people that were prohibited from attending mass gatherings such as sports, cultural events, and religious (Asita Elengoe, 2020) but small-medium enterprise (SME) is forced to be shutting down immediately. At that particular crucial phase, reduction of oil consumption occurs due to the restriction of travelling to the workplace as well as institutions at all levels, regardless of daily school, primary, secondary, and university that were all closed. These