



THE INFLUENCE OF MONETARY POLICY ON FINANCIAL PERFORMANCE OF
COMMERCIAL BANKS: A STUDY OF COMMERCIAL BANK IN MALAYSIA

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ABSTRACT

Commercial banks played an important role as an intermediary for the Central Bank in implementing monetary policies tools and hence the basis for this study. This investigation was done with the targets to distinguish the connection between External factors and Internal Factor with the financial performance of Commercial Banks whereby external factors consist Overnight Policy Rate (OPR), Cash Reserve Ratio (CRR) and Open Market Operation (OMO), meanwhile internal factor utilized in this study is Bank Size. The study adopted descriptive research design. The target population of this study was commercial banks operating in Malaysia and regulated by the Central Bank of Malaysia as at 31st December 2017. With the end goal of this study, just secondary information was utilized. The secondary data was obtained from the Financial Statements of the Commercial Banks that are available from their websites and Central Bank of Malaysia Publications. Data was collected for a period of five years from 2013 to 2017. Data was analysed using Statistical Package for Social Sciences (SPSS) version 16. The study then used descriptive statistics and inferential statistics to establish the relationship between independent variables with the financial performance of commercial banks in Malaysia. The study found that Open Market Operation, Overnight Policy Rate and Cash Reserve Requirement have negatively insignificant relationship with the financial performance of Commercial bank in Malaysia. Meanwhile, Bank Size was found to be positive and have significant relationship with the dependent variable in this study.