

UNIVERSITI TEKNOLOGI MARA

**THE ROLE OF BANK NEGARA MALAYSIA KUALA
TERENGGANU IN ENSURING FINANCIAL
STABILITY IN THE EAST COAST OF MALAYSIA**

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ABSTRACT

This study explores the pivotal role of Bank Negara Malaysia (BNM) Kuala Terengganu in ensuring financial stability in the East Coast of Malaysia, focusing on the unique economic challenges faced by this region, which includes Terengganu, Kelantan, and Pahang. The East Coast has historically experienced slower development compared to the more industrialized West Coast, primarily due to its heavy reliance on agriculture and natural resources. This dependence makes the region particularly susceptible to fluctuations in commodity prices and environmental factors, which can lead to economic instability. Through qualitative interviews with key personnel at BNMKT, the research identifies critical issues such as limited access to financial services, low levels of financial literacy, and the challenges faced by small and medium enterprises (SMEs). These factors have hindered economic progress in the region and necessitate effective financial oversight and intervention. Insights from BNM personnel reveal that their efforts extend beyond regulatory oversight; they actively shape the financial landscape to foster resilience and growth. BNM's strategic initiatives aimed at enhancing financial inclusion, promoting digital payment systems, and providing support to SMEs are essential for addressing the unique challenges faced by the East Coast. For instance, increasing credit access for SMEs is vital for local employment and economic diversification. Additionally, promoting digital payment adoption not only modernizes transactions but also improves efficiency and security for businesses operating in a predominantly cash-based economy. The findings underscore the importance of tailored interventions that consider local economic dynamics to foster a more resilient economic environment. Ultimately, this research contributes valuable insights into the effectiveness of central banking in addressing regional disparities within Malaysia's broader economic landscape. Moving forward, enhancing financial literacy among residents, expanding digital infrastructure, and supporting economic diversification will be crucial for strengthening financial stability in the East Coast. By tackling these areas, BNM can bolster the region's capacity to withstand external shocks and maintain economic stability.

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CHAPTER ONE:

INTRODUCTION

1.1 Background of Study

The East Coast of Malaysia, which encompasses the states of Terengganu, Kelantan, and Pahang, has faced unique economic challenges that have contributed to its slower development compared to the more industrialized West Coast. This region is characterized by a higher reliance on agriculture and natural resources, which makes it susceptible to fluctuations in commodity prices and environmental factors. Consequently, the economic landscape of the East Coast presents distinct risks that necessitate effective financial oversight and intervention. Bank Negara Malaysia (BNM), as the central bank of the country, plays a pivotal role in ensuring financial stability across all regions, including the East Coast. BNM's mandate encompasses the regulation of monetary policy, the supervision of financial institutions, and the implementation of measures aimed at safeguarding the financial system from systemic risks. The central bank's policies are particularly crucial in regions like the East Coast, where economic vulnerabilities can lead to broader implications for financial stability.

One of the primary functions of BNM is to assess and mitigate risks that could threaten financial stability. According to BNM's Financial Stability Review, various factors such as household debt levels, external economic conditions, and domestic financial health are continuously monitored to identify potential threats to stability. The review highlights that while household debt remains stable at around 81.9% of GDP, regional disparities in economic resilience necessitate targeted interventions. (Bank Negara Malaysia, 2023) This is particularly relevant for the East Coast, where local economies may not respond uniformly to national monetary policies.

Moreover, BNM has established specific frameworks and committees, such as the Financial Stability Executive Committee (FSEC), to address these regional challenges effectively. The FSEC is tasked with formulating policies that directly respond to financial stability concerns across different Malaysian regions. (Bank Negara Malaysia, 2023) By implementing tailored regulatory measures and providing support for local financial institutions, BNM aims to foster a more resilient economic environment in the East Coast.

In summary, this research seeks to explore how Bank Negara Malaysia's regulatory framework and policies contribute to stabilizing the financial system in the East Coast of