

BBMB JUWARA HOMELine : THE MARKETING PERSPECTIVE

ROZIYAH BTE MAT ARIFF
95899935

BACHELOR OF BUSINESS ADMINISTRATION (HONS) MARKETING
SCHOOL OF BUSINESS AND MANAGEMENT
MARA INSTITUTE OF TECHNOLOGY

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ABSTRACT

The Corporate

Bumiputra Commerce Bank Berhad formerly known as Bank Bumiputra Malaysia Berhad was not spared from the effects of the dampening of the domestic economy and like other financial institutions was faced with issue on the rising of non-performing loans.

However, after making a charge of loan and financing loss and provisions of RM2,102 million, compared to the preceding year's figure of RM218 million the Bank incurred a pre-tax loss of RM1,198 million for the year ended 31st March 1998, against a profit of RM540 million in the previous year.

The substantial increase in loan and financing loss and provisions reflected an increase in non-performing loans (NPL), the steep drop in the value of the loan collateral and the early adoption of new stringent provisioning policies and guidelines.

The government, through Khazanah Nasional Berhad, has injected an additional capital of RM1,100 million comprising RM400 million ordinary share of capital and RM700 million Irredeemable Cumulative Convertible Preference Shares (ICCPs) and this has raised the Bank's RWCR to 9.7%. The capital injection required to meet the minimum Risk Weighted Capital Ratio (RWCR) of 8% was RM550 million, below the RM750 million as stated by BNM in March 1998.

The resilience of the banking industry has been severely tested by the prevailing crisis. Of concern were the issues of deteriorating assets quality and rising NPL and drop in collateral values, as well as the tightening liquidity in the system.

To restore stability into the financial system, Bank Negara Malaysia (BNM) introduced measures such as implementation of the credit plan, more stringent disclosure requirements and the revised GP3 guidelines on classification of non-performing loans (NPL) and provisioning. To improve the system, BNM lowered the statutory reserve requirement (SRR) of banking institutions to 10% of eligible liabilities on 16 February 1998.

Total deposits from customers increased by 13.1% to RM31,568 million as at 31st March 1998 from RM27,900 million at the end of the previous financial year.

The financial sector will see a major change in industry players and competitiveness in the light of the expected mergers and acquisitions. The industry is expected to undergo continuous recapitalization to strengthen its resilience to face the challenges ahead. The Government has adopted strategies for economic recovery by strengthening the financial system through the setting up of Danaharta Nasional Berhad to purchase the banking system's NPL and Danamodal Nasional Berhad to assist in the recapitalization of banks. The government has also established the steering committee for corporate debt restructuring to improve the loan asset quality of the banking system under the supervision of BNM.

The banking system will face increased challenges from the globalization of financial markets. Liberalization measures will increase competition, thus risk management in banks has become increasingly important in today's banking environment.