



THE DETERMINANTS OF MALAYSIAN COMMERCIAL BANKS'
LIQUIDITY

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JUNE 2015

ACKNOWLEDGEMENT

I would like to acknowledge of the following people who has participate and made this study possible. First and foremost, I would like to give a deepest gratitude to my supervisor Madam Flicia Rimin for her guidance, support and encouragement from the initial to the final stage of my study. Special thank to Madam Flicia Rimin for spending time to read and go through my work with useful comments and quick feedback. I would also like to give thanks to my lecturer, Mr. Shamlie who has also give guidance on how research conducted during my study for the subject Research Methodology.

Besides that, I would like to thank to my family. They has give a big support either physically, mentally and financially. During the frustration time of my work, they was there to give me support and love. Without them this study could not finished.

Finally, I would like to offer my regards to my friends, Livina Sari, Nuradilah bt Mohd Asri, Milsa Bt Aliu, Nurul Syazwani Bt Noorham, Siti Amira Sahira Bt Roslan, and Amira Nadirah who has give me a hand and support in the whole of study process to complete the study. Last but not least, I would also to thanks all the fellows and staff of the Universiti of Teknologi Mara for their assistance.

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CHAPTER 1:

RESEARCH OVERVIEW

1.0 INTRODUCTION

Malaysia is one of the countries that have a modern and comprehensive financial system that continues to develop through time in response to the changing of domestic and international conditions. After financial crisis, Malaysian financial system has throughout some changes and financial reform, then evolve to be more diversified, broad and deeper financial system. Financial system is a mechanism or a framework in which economics exchange can be done. In a modern society, financial system plays an important role in influencing the level economic activities and exchange.

Financial system divided into two categories which are financial institutions and financial markets. In this paper will more focus to financial institutions. According to Rose, Kolari (1995), business firm where the principal claims or assets are stocks, bonds and loans instead of real assets are called as financial institution. Sounders, Cornett (2007), define financial institutions as an institution that perform the necessary function of transmitting funds from those with surplus fund to those with shortages of funds. Financial institutions can be divided into banking and non - banking system. However this paper will only talk about banking system in area of banking institutions which is commercial banks.