



UNIVERSITI TEKNOLOGI MARA

**LIQUIDITY RISK AND BANK PERFORMANCE:
AN EMPIRICAL TEST FOR COMMERCIAL
BANKS IN MALAYSIA**

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ABSTRACT

During the phenomenon of financial crisis in 1997 and 2008, heavy buying of U.S treasuries in 1997 was the option that world's sovereignties used as their global investments as the countries wish to stabilize the currencies in the first place. The involvement of International Monetary Fund (IMF) literally gave a big impact to the economy as they provided loans to stabilize back the economy and there were many countries that shows positive sign. The commercial banks' performance can be classified unknown before, during and after the crisis. The aim of this research is to study the relationship between banking characteristics with net interest margin in Malaysia. This research is conducted on a yearly basis and the period of the study is 21 years which starting from 1997 till 2017. Next, gross domestic product, capital adequacy ratio, bank size and inflation rate have been selected as the independent variables. This research also will be using four (4) commercial banks in Malaysia.

Keywords: Liquidity risk, Financial crisis, Gross Domestic Product, Capital Adequacy Ratio, Bank Size, Inflation Rate, Loan Loss Provision, Net Interest Margin

TABLE OF CONTENTS

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	vii
ACKNOWLEDGMENT	xi
TABLE OF CONTENT	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF SYMBOLS	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Research Background	2-3
1.3 Problem Statement	4
1.4 Research Questions	5
1.5 Research Objectives	5
1.6 Significance of the Study	6
1.7 Scope of the Study	7
1.8 Limitation of the Study	8
1.9 Definition of Key Terms	9
1.10 Summary	10
CHAPTER TWO LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Net Interest Margin	12
2.3 Gross Domestic Product	13
2.4 Capital Adequacy Ratio	14
2.5 Bank Size	15
2.6 Inflation Rate	16
2.7 Theoretical Framework	17

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CHAPTER ONE

Introduction

1.1 Overview

Generally, this chapter will focus on acknowledging the public on how commercial banks performance in Malaysia reacted during financial crisis and before financial crisis that happened in year 1997 and 2008. This chapter will introduce further about sections that includes background of study, the problem statement, research objectives, research questions, the significant of study, limitations of study and lastly is the definition of key term used. Basically, background of study is discussing about the scenario that happened in Malaysia.