



LIQUIDITY RISK AND PERFORMANCE OF BANKING SYSTEM IN MALAYSIA:
EVIDENCE FROM COMMERCIAL BANKS

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ABSTRACT

This study is conducted to examine the liquidity risk and to evaluate its effect on the profitability of banks in Malaysia. The data were recovered from income statement, balance sheet and notes of 27 Malaysia banks in 2011 to 2016. This study uses multiple regressions test to measure the effect of liquidity risk towards the profitability of the banks in Malaysia. The period of time of this study is 2011-2016; it is due to the issue related *to* liquidity risk that happen between the mentioned years. On the other hand, to measure the bank's performance, this study only uses profitability of the banks. Moreover, liquidity problem that comes from the economic factor is not covered in this study. This is not the first study of the liquidity risk of banking system in Malaysia. However, this is the first study that conducted which is more specific on the banking system in Malaysia which only focused on the Commercial Banks. This means that this study is focused on the liquidity risk and its effect on the performance of the Commercial Banks.

Keywords: *Liquidity risk, Bank's profitability, Commercial banks*