THE IMPACT OF LIQUIDITY MANAGEMENT AND MACROECONOMIC FACTOR ON PROFITABILITY OF BANKING INDUSTRIES

AKASYAH BIN HASSAN
2015134581

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TEKNOLOGI MARA
SABAH

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ABSTRACT

The measurement of banks performance can be use such as, Return on Asset, Return on Equity, Net Interest Margin and Net profit Margin. Return on asset is popularity used to measure the ability of banks asset to generate profit. This study investigates the performance of banking industries by using the liquidity indicators such as cash reserve ratio, statutory liquidity ratio, non performing loan and gross domestic product. Non-performing loan and gross domestic have shown the significant relationship on the profitability of the banks. The sample period of study being used from (2007-2016) and data were collected from World Bank data, Trading Economics and international Federation ST Louis from developing countries. There are 32 developing countries and the result is already out. This study is use the static panel data analysis to achieve the objectives of study. The general findings that it is found Cash reserve ratio and statutory liquidity ratio has a weak influenced on the profitability of the banks, but non – performing loan and gross domestic product has strong influence profitability of the banks. It can be concluded that the banks need to give more attention on the non-performing loan and gross domestic product rather than cash reserve ratio and statutory liquidity ratio.

Keywords: Liquidity Management Profitability of banks, Macroeconomic Factors, Cash Reserve Ratio, Statutory Liquidity Ratio, Non- Performing Loan, Gross Domestic Product and Return on Asset