



**BANK WEAKNESS AND LOAN SUPPLY INTERACTION: A STUDY ON
SELECTED COMMERCIAL BANKS IN MALAYSIA**

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2005744213

**Submitted in Partial Fulfillment of the Requirement for the
Bachelor of Business Administration
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UITM, JOHOR**

NOVEMBER 2007

LETTER OF TRANSMITTAL

Faculty of Business Management
MARA University of Technology
Segamat Campus
85009 Segamat
Johor Darul Takzim

Miss Mardziyana Binti Mohamad Malom
Advisor FIN 660
Mara University of Technology
85009 Segamat
Johor Darul Takzim

Dear Miss,

BANK WEAKNESS AND LOAN SUPPLY INTERACTION: A STUDY ON SELECTED COMMERCIAL BANKS IN MALAYSIA

In July 2007, I was required to do a project paper "Bank Weakness and Loan Supply Interaction: A study on Selected Commercial Banks in Malaysia".

2. I was informed to submit this report on date submission, as a part of the course requirement for Bachelor in Business Administration (Honors) Finance 06. I hereby submit this project paper and that you will find everything satisfactory.

Thank you.

Yours truly,

SITI ZUMAIRAH BINTI OMAR
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BBA (HONS) FINANCE
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JOHOR

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY
SEGAMAT CAMPUS
JOHOR DARUL TAKZIM**

“DECLARATION OF ORIGINAL WORK”

I, SITI ZUMAIRAH BINTI OMAR, (S.I.D.: 2005744213)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degree
- This project paper is result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged

Signature: _____

Date: _____

LETTER OF SUBMISSION

24th October 2007

The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
MARA University of Technology
Segamat Campus
85009 Segamat
Johor Darul Takzim

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "BANK WEAKNESS AND LOAN SUPPLY INTERACTION: A STUDY ON SELECTED COMMERCIAL BANKS IN MALAYSIA" to fulfill the requirement as needed by the Faculty of Business Management, MARA University of Technology.

Thank you

Yours sincerely

(SITI ZUMAIRAH BINTI OMAR)
2005744213
Bachelor of Business Administration (Hons) Finance

ABSTRACT

This paper is to examine the interaction between bank weakness and loan supply. The sample used for the research includes the annual data from the year 1996 to 2006 and the selected commercial bank in Malaysia, which comprises Maybank, Hong Leong Bank, Am Bank, Public Bank and Affin Bank.

The independent variables for this research is bank weakness which measure by various balance sheet variables including loans and advances, short-term asset and long-term liabilities of each bank. Loan growth rate, which represent loan supply, will be dependent variable. The Multiple Linear Regression used in order to determine the interaction between variables.

The findings of this research show that the change in loans and advances, short-term asset and total liabilities would change the loan growth. So, it shows that the bank weakness is having an interaction with the loan supply in Malaysia.