



UNIVERSITI TEKNOLOGI MARA

**The Relationship Between Determinants of Liquidity
and Performance of Malaysian Commercial Banks**

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**Final Year Project Paper submitted in fulfilment
of the requirements for the degree of**

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

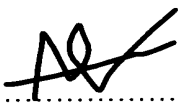
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ABSTRACT

A commercial bank is a financial institution that provides a service such as making business loans, offering an investment product, making deposit for the customers and so on. In Malaysia, there has many of commercial banks that are stable in terms of their financial performance. Even though the banking sector in Malaysia is quite good in terms of stability but there is still has an exposure that influencing the commercial bank performance. The specific macroeconomic factors such as inflation and GDP has given a huge impact on the banking sector. This is because the fluctuation of economy performance will give impact an overall of the banking sector. In banking sector, the most crucial factors are level of liquidity efficiency among commercial bank. That are so important to increase the efficiency of the commercial bank performances. The liquidity problem exists when the commercial bank has a lack of the liquid asset such as cash and others. Because of that, the performance of the commercial bank will get an impact. Because of that, the customer or depositor started to feel uncomfortable when the commercial bank begins facing a liquidity problem. In this study, we have used a secondary data. For the dependent variable, we have decided to use the return on asset. While, for the independent variable, we have used the current ratio which is to examines the liquidity positions of the commercial bank. Next, quick ratio which is to examines the short-term solvency of a commercial bank. Then, cash ratio known as an immediate ability of the commercial bank to pay off its short-term commitments. After that, we have used a macroeconomic variable such as inflation and GDP. For the research sample, we have chosen five (5) potential commercial bank in Malaysia such as CIMB Bank, Maybank, Affin Bank, RHB Bank and AmBank. For the data collection, we have collected the data from the year 2009 until 2018. In this study, there is no significant relationship between macroeconomic variables and the return on asset. While, for the liquidity ratio that divided into two (2) such as current ratio and cash ratio has a significant relationship with the return on asset.

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