



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP OF BANK SPECIFICS
ON THE LIQUIDITY OF COMMERCIAL
BANK IN MALAYSIA**

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**Bachelor of Business Administration (Hons)
(Investment Management)**

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February 2021

AUTHOR'S DECLARATION

I declare that the work in this Final Year Project Paper 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 project paper 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 Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ACKNOWLEDGEMENT

Foremost, I would like to express my sincere gratitude to my advisor Miss Nurulashikin Romli for the continuous support of my Degree study and research, for his patience, motivation, enthusiasm, and immense knowledge. His guidance helped me in all time of researcher and writing of this thesis. I could not have imagined having better advisor and mentor for my Degree study.

Besides my advisor who also as my first examiner, I would like to thank to my second examiners Madam Aida Rohani Samsudin who are understand in my situation and easy to contact or communicate with her. Another thanks to the rest of my thesis committee: Madam Shahira Abd Jabar and Madam Norlina M. Ali as my panel presentation and help me to make a correction of my thesis. I thank to my coordinator Dr Roslina because of the effort that always remind me and my all friend about this thesis information.

Last but not least, I would like to thank my family and my friend because supporting me and teach me about this thesis. For my friends, thank you so much because always help me no matter the time to complete this thesis and discuss together. I also apologize for all the mistakes.

ABSTRACT

The main objective is to know what are their relationships on independent variables that would impact bank liquidity and this study wants to examine either bank specific factor is significant or not towards bank liquidity. This relationship is important that would be answering the research objective. To conduct this research, data would be collected from 24 observations based on commercial bank in Malaysia such as Maybank Banking Berhad, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Ambank Malaysia Berhad, CIMB Bank Berhad, Hong Leong Bank Berhad, Public Bank Berhad and RHB Bank Berhad. This data observation is collected start from 2017 to 2019 and dependent variable would be bank liquidity. This bank liquidity would be calculated in a ratio to be a liquidity indicator as a dependent variable. Next, to examine this relationship, under bank specific factors that have six variables for their independent variables such as TCR - total capital ratio, ILTL - the ratio of impaired loans to total loans, IETD - the ratio of interest expenses to total deposits, ROAE - return on average equity, ROAA - return on average assets, TBSA - the share of the total banking system assets. These six independent variables would be regressed with liquidity indicator. This data are collected based on the databank yearly statement, banking history information, bank annual report, journal and some articles. To regress the data, this study uses the method of descriptive analysis, t-test, f-test, r-squared, adjusted r-square and normality of error term. With use of this method, the result would be known and this study can resolve what their objectives are. Other researchers found that total capital ratio, impaired loan to total loans and return on average equity is significantly with liquidity indicator. In this study, we are focusing only on commercial banks in Malaysia and from that, the result shows that impaired loan to total loans is significantly with bank liquidity. This result is also supported by Ivanovic, (2016), Roman & Sargu, (2015) and Vodová (2012). The other variables are not significantly with bank liquidity for independent variables: total capital ratio, interest expenses to total deposit, return on average equity, return on average asset and total banking systems asset. Other researchers found that total capital ratio, impaired loan to total loan and return on average equity is significant with those three independent variables and one of them is significant in Malaysia. This study would be explained more the details information about the result.

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