



اوتو تكنولوجي مارا
UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

**A STUDY ON PERFORMANCE OF LISTED
COMMERCIAL BANKS: RELATIONSHIP
BETWEEN STOCK RETURN OF BANKS AND
BASE LENDING RATE (BLR).**

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Dear Sir,

SUBMISSION OF PROJECT PAPER (FIN 660)

Attached is the Project Paper entitled "A STUDY ON PERFORMANCE OF LISTED COMMERCIAL BANKS: RELATIONSHIP BETWEEN THE STOCK RETURN OF BANKS AND BASE LENDING RATE (BLR)" to fulfil the requirement as needed by the Faculty of Business Management, University Technology Mara.

Thank you for your guidance and support.

Yours sincerely,



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“In the name of Allah, the Merciful, the Beneficent”

Glory to Allah S.W.T, the most gracious, the most merciful and peace to upon his messenger Holy Prophet Muhammad S.A.W the worship belongs to only Allah S.W.T.

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ABSTRACT

The study explores the sensitivity of monthly stock return for commercial banks with the volatility of Base Lending Rate (BLR) which also in monthly basis. The study covers of six years observation from January 1999 to December 2004. The data collect from Bank Negara Malaysia (BNM) and Bursa Malaysia (BM). A simple regression model is applied in this study. Results indicate that commercial bank's stock return is sensitive to BLR mainly to the Hong Leong Bank Bhd relative to other four commercial banks which are Affin Bank Bhd., Malayan Banking Bhd., RHB Bank Bhd and Southern Bank Bhd. Results in this study also indicate the direction (positive or negative) of relationship between stock return of commercial banks and BLR. The sensitivity is however unstable over time. The results are support by other researchers Bohl, Siklos and Werner (2004) which said, no causal linkage between stock return of commercial banks with BLR and according to Drakos (2000) and Elyasiani (2004) said there is causal linkage between stock return of commercial banks with BLR.

LIST OF ABBREVIATIONS

AHB	:	Affin Bank Bhd.
BNM	:	Bank Negara Malaysia
BLR	:	Base Lending Rate
BM	:	Bursa Malaysia
EMH	:	Efficient Market Hypothesis
HLBK	:	Hong Leong Bank Bhd.
KLCI	:	Kuala Lumpur Composite Index
MAY	:	Malayan Banking Bhd.
RHB	:	RHB Bank Bhd.
RM	:	Ringgit Malaysia
SBK	:	Southern Bank Bhd.
SPSS	:	Statistical Package of Social Science