



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF LIQUIDITY
RISK TOWARD PERFORMANCE OF
LISTED BANK IN BURSA
MALAYSIA**

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ABSTRACT

Banking sector is the one of institution have important role to provide financing for business. There are several risks toward banking activity that give effect on bank performance. This paper aims to investigate the determinants of liquidity risk toward performance of bank. The main issues on this study are to know it is the factors liquidity risk give effect toward performance of bank. This study will focus on the performance of listed bank in Bursa Malaysia and the sample of data related to 8 of banks during the years 2006 to 2015. Panel data as methodology and data was collected from the Data Stream and annual report to get the latest update information. Besides that, this study also to have clear view about the relationship between dependent variable which is performance of the banks and independent variables used is deposit, cash reserve, non-performing loan, bank size and credit risk. The final result gathered from the every tests and matches with finding to make the conclusion.

Keywords: Liquidity risk, cash reserve, deposit, non-performing loan, bank size, credit risk

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This section discuss about the overview performance of bank and liquidity risk with the reviews from the previous studies. Other than that, this section also discuss about the financial crisis and the impact on the bank operation in Malaysia. In this section also included the research objective and research question for this study.

1.2 BACKGROUND OF STUDY

Bank plays important role in supporting economic development because providing financial resources to borrowers. Banks or other financial intermediaries exist because they are professional and ongoing monitoring about the financial system to help the borrowers meet their obligation.

Malaysian banking system have a different form others country because implement dual system in operating their activities whereby conventional banks operate side by side with Islamic banks. Islamic financial system start with introduce Islamic Banking Act in 1983 and establish the first bank which is Bank Islam Malaysia Berhad (BIMB) that their operation followed by sharia' law (Haron & Ahmad, 2011). Bank Negara Malaysia (Central Bank of Malaysia) was established in 1959 and the first head governor of Malaysia is Tan Sri W. H. Wilcock (1959-1962).

Many lessons that have been learnt when Asian Financial Crisis happens in 1997 and hit other Asian countries including Malaysia, Indonesia, Philippines and South Korea. Malaysian economy collapse followed the Thailand economy condition. In time the crisis, Bank Negara Malaysia tried to maintain the value of ringgit by