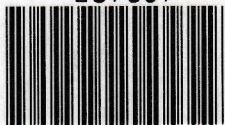


ASSET-LIABILITY MANAGEMENT
OF MAYBANK DURING 1991-1997

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ABSTRACT

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This study sought to analyze the assets and liabilities management in banking with a focus on the experience of Maybank which is one of the leading banks in Malaysia. The liabilities and asset structure of this as reflected in its balance sheets for the period of 1991-1997 have been examined as a case study.

The study is data based. It is primarily based on balance sheet statements of Maybank which is incorporated in its annual reports. With a scrutiny of these annual reports we used a quantitative approach in analysing the significance of major variables such as deposits, credits, investment, loan and among others to see how asset and liability of the bank is managed. Specifically some ratios and percentages have been computed to see how the bank managed its business to achieve its diverse goals of profitability and liquidity in order to win the confidence and trust of its customers and public at large in the country.

The findings on this study shows that Maybank's asset and liability are well managed and it is economically performing well in banking business. Despite the present dismal economic situation in the country, the bank has managed to make some profit around RM 0.50 million in 1997 – 1998(June End) In the next millennium the bank need to prepare for still better strategies to meet the new challenges.

CHAPTER 1

INTRODUCTION

1.0 CONTEXT OF THE PROBLEM

The banking and financial industry is a vibrant and dynamic component of the Malaysian economy. It is gearing itself for the impending era of accelerated industrialisation which will provide numerous opportunities for organisational growth and expansion, especially the commercial bank.

The decade of 1990's is crucial in the economic history of Malaysia. Besides, growth dynamism and remarkable success of economic progress until 1996, the country has also experienced a sudden setback in the later part of 1997. Recent currency crisis in neighboring countries such as Thailand and Indonesia has caused financial sector turmoil as well. Malaysian economy also experienced some major financial crisis. Some institutions have faced some trouble but the government has taken steps to balance this situation. Commercial banking is the pillar of the financial sector of Malaysian economy.

But, unfortunately the commercial banks are beginning to be lagging behind in recent years. From the year 1980-1989 commercial banking asset growth fell third after the financial companies, followed by merchants banks. The growth is only 15.8% for those years. Commercial banking deposits growth is on an average has been 12.1% compared to financial companies that having it 21.8%.

(Shamsuddin Ismail, Ee Kow Keang, 1991)

The commercial banks are now facing stiff competition from other financial institution and the competition is expected to get stiffer during 1990's and beyond.

Banking is, however, both art as well as science, a banker has to reconcile its contradictory objectives of liquidity and profitability through a proper asset and liability portfolio management. A commercial bank balance sheet in economic sense reveals the liability and assets side in operation.

It is essential for a bank to have a strategic liability and asset portfolio management to meet the assets of safety, soundness, sufficient liquidity and maximum return to maximize profits. The present study is confined to as a case of Maybank Berhad, which is one of the leading bank in Malaysia. It sought to analyze the liability structure and asset management of the bank during 1990's.