

IMPACT OF LOAN SALES TOWARDS ASSET RISK
OF MALAYAN BANKING BERHAD

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Submitted in Partial Fulfillment of the Requirement for the Bachelor of Business
Administration (Hons) Finance

FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY
JOHOR

MAY 2008

DECLARATION ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS)
FINANCE FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY JOHOR

"DECLARATION OF ORIGINAL WORK"

I, Sahidah bt. Zakariah, (I/C Number: 851016-14-5112)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature

- -

:Date: 2 May 2008

LETTER SUBMISSION

Faculty of Business and Management
MARA University of Technology
85009 Segamat
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2 May 2008

Rabiatul Alawiyah Bt. Zainal Abidin
The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management MARA University of
Technology
85000 Segamat
Johor Darul Takzim

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper title "IMPACT OF LOAN SALES TOWARDS ASSET RISK OF MALAYAN BANKING BERHAD" to fulfill the requirement as needed by the Faculty of Business Management, University Technology MARA.

Thank you

Yours sincerely

SAHIDAH BT ZAKARIAH
2006849975
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LETTER TRANSMITTAL

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MARA University of Technology
85009 Segamat
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Rabiatul Alawiyah Bt. Zainal Abidin
The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
MARA University of Technology
85000 Segamat
Johor Darul Takzim

Dear Madam,

IMPACT OF LOAN SALES TOWARDS ASSET RISK OF MALAYAN BANKING BERHAD

I'm required to do a project paper on the above topic. I hereby submitted this report and I really hope that this work will fulfill the requirement for the Bachelor of Business Administration (Hons) Finance.

Thank you.

Yours sincerely,

SAHIDAH BT ZAKARIAH
2006849975
Bachelor of Business Administration (Hons) Finance

ABSTRACT

Selling loans is hardly new and the key objective is to remove these loans from the balance sheet so that banks do not have to continue making provisions for them. In fact, during the dark days when the region stagnated under the shadow of Asian financial crisis, housing loan worth some RM8 billion had been acquired by CAGAMAS to help support ailing banking system. Through loan sales, benefits are achieved for banking institutions that act as loan originators. Many have shown the empirical benefits of loan sales via securitization, and the constructive effects it has on availability of banking capital.

This paper empirically analyzes the impact of loan sales (specifically in housing loan sold to Cagamas) toward asset risk on Malayan Banking Berhad. Despite the fact that, the main objective is to determine the relationship between loan sales and asset risk and also found out whether loan sales activities give an impact toward asset risk faced by Malayan Banking Berhad. The time frame of the research conducted is within ten years. Where, the data which have been used in this research is between year 1998 up to year 2007.

The hypothesis was being tested using Pearson Correlation Coefficient and also Linear Regression. The result gathered after hypothesis testing shows that loan sales have significant relationship with asset risk (where asset risk have been represented by ratio of loan sold to total assets, ratio of deposit to loan over 5 year maturity, ratio of loan loss reserves to total loan, and ratio of landed property loan to total asset).