

SUCCESS FACTORS OF CIMB GROUP'S
FINANCIAL PERFORMANCE (2005 – 2011)

ROSILAWATI BINTI MAHAMAD JUSOB

UNIVERSITI UTARA MALAYSIA

2012

SUCCESS FACTORS OF CIMB GROUP'S FINANCIAL PERFORMANCE (2005 – 2011)

A thesis submitted to the fulfillment of the requirements
for the degree of Master Of Science (Banking)
College of Business (Banking Division)
Universiti Utara Malaysia

By
Rosilawati Binti Mahamad Jusob



Othman Yeop Abdullah
Graduate School of Business

Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK
(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)

ROSILAWATI BT. MAHAMAD JUSOB (807345)

Calon untuk Ijazah Sarjana

(Candidate for the degree of) **MASTER OF SCIENCE (BANKING)**

telah mengemukakan kertas projek yang bertajuk

(has presented his/her project paper of the following title)

**SUCCESS FACTORS OF CIMB GROUP'S FINANCIAL
PERFORMANCE (2005 - 2011)**

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.

(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

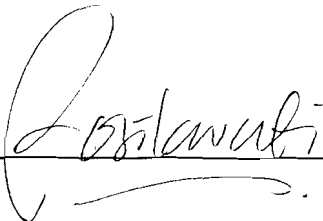
Nama Penyelia : **PROF. DR NOR HAYATI BT AHMAD**
(Name of Supervisor)

Tandatangan :
(Signature)

Tarikh : **01 JULY 2012**
(Date)

DECLARATION

I hereby declare that the project paper is based on my original work except for quotations and citations that have been duly acknowledge. I also declare it has not been previously or concurrently submitted for any other Master's programme at Universiti Utara Malaysia or other institutions.

A handwritten signature in black ink, appearing to read 'Rosilawati', is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

ROSILAWATI BINTI MAHAMAD JUSOB

JUNE 2012

PERMISSION TO USE

In presenting this project paper in partial fulfillment of the requirements for a postgraduate degree from Universities Utara Malaysia, I agree that the University Library make a freely available for inspection. I further agree that permission for copying of this project paper in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor(s) or, in their absence by the Dean of Research and Innovation. It is understood that any copying or publication or use of this project paper or parts thereof for financial gain shall not be given to me and to University Utara Malaysia for any scholarly use which may be made of any material from my project paper.

Request for permission to copy or make other use of materials in this project paper, in whole or in part should be addressed to:

Dean of Research and Innovation

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

ABSTRAC

This study has focused on the success factors on bank performance and profitability determinants. Bank profitability is expected to be receptive to macroeconomic control variables. CIMB Group has been selected to this research because of within 2005 until 2011 CIMB Group becomes stronger as major player and 2nd largest financial services provider by assets in a banking sector in Malaysia. Even though after Sub Prime crisis on 2008, CIMB Group still can maintain and expand the business out of Malaysia.

The main objective of this study to identify success factors of CIMB Group performance based on their financial report over a 7 years period from 2005 until 2011. This study identifies determinants of CIMB Group success comprising of CIMB Bank Berhad, CIMB Islamic and CIMB Investment Bank performance.

The study utilized the secondary data obtained primarily from the CIMB Annual Report and Audited Financial Report. This study chosen trend analysis, descriptive analysis, correlation analysis, multiple regression and regression coefficient analysis to identify the determinant of CIMB Group success factor comprising of CIMB Bank, CIMB Islamic and CIMB Investment.

Thirteen variables used to complete this study. Return on Asset (ROA) is Dependent Variable. Independent Variables are Net Interest Margin, Asset Quality, Loan Deposit, Size, Capital Adequacy, Leverage, Market Capitalization Change, Loan Portfolio based on type of customer (individual) and Loan Portfolio (variable rate) Gross Domestic Product, Base Lending Rate and Inflation.

ABSTRAK

Kajian ini menumpukan kepada faktor kejayaan dan pencapaian Kumpulan CIMB melalui kadar keuntungannya yang dijangka akan lebih terbuka berdasarkan perolehan penguasaan makroekonomi. Kumpulan CIMB telah menjadi penyumbang utama dan berada dikedudukan kedua sebagai penyedia perkhidmatan kewangan dan perbankan di Malaysia. Walaupun selepas krisis *Sub Prime* pada tahun 2008, Kumpulan CIMB masih berjaya mengembangkan perniagaannya di luar Negara.

Kajian yang dijalankan ini menganalisa faktor – faktor yang mempengaruhi kejayaan CIMB Group dari tahun 2005 hingga tahun 2011. Faktor kejayaan Kumpulan CIMB ini diukur melalui pencapaian CIMB Bank Berhad, CIMB Islamic dan CIMB Investment. Kajian ini berdasarkan Laporan Tahunan CIMB Bank, CIMB Islamic dan CIMB Investment. Kajian ini turut memilih kaedah analisis seperti *descriptive analysis, correlation analysis, multiple regression and regression coefficient analysis* untuk mengenalpasti faktor yang menentukan kejayaan Kumpulan CIMB melalui CIMB Bank, CIMB Islamic dan CIMB Investment.

Sebanyak 13 pembolehubah digunakan bagi memenuhi kajian ini. Pembolehubah bersandar ialah *Return On Asset (ROA)*. Pembolehubah tidak bersandar pula ialah Net Interest Margin, Asset Quality, Loan Deposit, Size, Capital Adequacy, Leverage, Market Capitalization Change, Loan Portfolio based on type of customer (individual) and Loan Portfolio (variable rate) Gross Domestic Product, Base Lending Rate and Inflation.

ACKNOWLEDGEMENT

My highest and most sincere appreciation goes to my beloved husband Mohd Zulkarnanen Bin Mhd Yusop, my mother Rohayah Binti Abdul Rahman and my daughter Durratul Nassiha Mohd Zulkarnaen, who have always encouraged and guided me to be independent, never try to limit my aspirations.

I would like to express my great appreciation to my supervisor, Prof Dr Nor Hayati Ahmad for her understanding, attention, kindness and encouragement. Her supervision, ideas, guidance, critics and examination of the thesis have been an enormous help. Words alone can not express my greatest appreciation and gratitude to her. I'm very grateful from her not only for his assistance, but also she is great person as a human. I've never forgotten such kind of people.

As well as, I wish to thank to Assoc. Prof Afifah Ahmad for her kind support and being an examiner for this thesis. To my fellow course mate Rosmariniwati, Kamarizah and Zuraida who provided their view, opinion and advise during the writing of this thesis. Thanks again to everyone including those who I have probably forgotten to mention here.

I would like to express my high appreciation to my all lecturers of College of Business, especially, lecturers of the Division of Finance and Banking. Thanks again to everyone including those who I have probably forgotten to mention here.

TABLE OF CONTENTS

	Page
PERMISSION TO USE	i
ABSTRAC	ii
ABSTRAK	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
 CHAPTER 1 : INTRODUCTION	
1.0 Chapter overview	
1.1 Introduction	4
1.1.1 Overall Financial Performance	4
1.1.2 Backgrounds Of CIMB Group	6
1.1.3 CIMB Group Business Strategic division Businesses	7
i. Consumer Banking	7
ii. Corporate & Institutional Banking and Markets	7
iii. Group Asset Management, Insurance and Takaful	8
iv. Islamic Banking	8
1.1.4 Corporate Profile for CIMB Groups	8
i. CIMB Group Holdings Berhad	8
ii. CIMB Bank	8
iii. CIMB Investment Bank	10
iv. CIMB Islamic	11
v. CIMB Niaga	11
vi. CIMB Thai	11
vii. CIMB Bank Singapore	12
viii. CIMB Bank Cambodia	12

1.2	Problem Statement	13
1.3	Objective	13
1.3.1	Main objective	15
1.3.2	Supplementary Objective	15
1.4	Significance of the study	15
1.5	Scope of the Study	16
1.6	Limitations of the Study	17

CHAPTER 2 : LITERATURE REVIEW

2.0	Chapter overview	18
2.1	Literature review	18
2.2	Return on Asset (ROA)	19
2.3	Net Interest Margin (NIM)	20
2.4	Asset quality (AQ)	20
2.5	Loan Deposit (LD)	20
2.6	SIZE (Natural Loan Total Asset)	21
2.7	Capital Adequacy (CAR)	21
2.8	Inflation (INFL)	22
2.9	Market Capitalization Change	22
2. 10	Loan Portfolio (Variable rate)	23
2.11	Base Lending Rate	23

CHAPTER 3 : RESEARCH METHODOLOGY

3.0	Chapter Overview	
3.1	Data Sources	25
3.1.1	Data Collection Method	25
3.1. 2	Data Analysis	26
3.2	Conceptual Framework	26

3.3	Multiple Regression Analysis	28
3.4	Regression Coefficient	29
	i. Priority relationship	29
	ii. Value of coefficient	30
	iii Coefficient of Determination (R^2)	30
	v. Using t-distribution table	31
	vi. Using significant level	31
3.5	Theoretical Framework	
	3.5.1 Variables	33
	3.5.2 Dependent Variables	33
	3.5.3 Independent Variables	33

CHAPTER 4 : ANALYSIS AND FINDING

4.0	Chapter Overview	34
4.1	Descriptive Analysis	34
4.2	Correlation Analysis	36
4.3	Multiple regresion	37
	4.3.1 Model Summary	37
	4.4.3 REGRESSION COEFFECIENT ANALYSIS	40
	i. Loan Deposit	41
	ii. Capital Adequancy	41
	iii. Size	41
	v. Base Lending Rate	41

CHAPTER 5 : CONCLUSION AND RECOMMENDATIONS

5.0	Chapter Overview	43
5.1	Summary of Finding	43
5.2	Recommendation and Suggestions	45

REFERENCE	46
------------------	----

CHAPTER 1

INTRODUCTION

1.0 Chapter overview

This preliminary chapter of thesis gives a general introduction to research study. The aim of the chapter is to provide a general overview and background of the study, which will serve as the fundamentals for other subsequent chapters and for the study as a whole.

This chapter 1 provides a research background and elaborates on a CIMB Group as a subject of the study. Then the rationale for undertaking the research study is explained. This chapter will end with the limitations of the study.

1.1 Introduction

In this recent decade, the Malaysian banking sector has been significantly transformed and reinvented. The restructuring, consolidation and rationalization efforts that were undertaken in the banking sector have placed the financial sector on a stronger foundation. This decade has also been a period of favourable performance and increased resilience. This has been achieved with the successful integration of business processes and the redeployment of resources to support new areas of growth. Financial reforms have also changed the environment.

The contents of
the thesis is for
internal user
only

REFERENCES

- Anis Farida MdRejab(2011). Malaysian Bank Competitive Advantage through Merger and Acquisition. Universiti Utara Malaysia.
- Azyyati Mat Zam(2011) Foreign Bank Entry and Domestic Bank Performance in Malaysia. Universiti Utara Malaysia.
- Balachandher K. Guru,J. Staunton and B.Shanmugam (1997). Determinants Of Commercial Bank Profitability In Malaysia. Multimedia University
- Bashir, a. h. (2000). determinants of profitability abd rate of return margin in islamic banks: some evidence from middle east. *prepared for the ERF's Seventh Annual conference to be held on October 26-29,2000. Amman, Jordan, 7.*
- Berger, Allen N., (1995). The profit-structure relationship in banking - tests of marketpowerand efficient structure hypotheses, *Journal of Money, Credit and Banking*27, 404-431.
- Das, A. Nag, A and Ray SC, 2004, "Liberalization, Ownership, and Efficiency in Indian Banking: A Nonparametric Approach", Working Paper 2004-29, Department of Economics Working Paper Series, University of Connecticut.
- Fader Abdullah (2001) A Study on the Performance of Malaysia Commercial Bank. Universiti Utara Malaysia
- Huiziga, H. A and Kunt, A.D (1998). Determinants of commercial bank interest margins and profitability: some international evidence. The World Bank Development Research Group.
- Miller,.M.S and Noulas, A.G. (1997). Portfolio mix and large-bank profitability in the USA.10.1080/000368497326994
- Molyneux, P. and Thornton, J. (1992), "Determinants of European Bank Profitability: A Note", *Journal of Banking and Finance*, Vol. 16, No. 6, p. 1173-1178.
- Mona AbduilalhYousef Al-Ademi(2009), Profitability Determinants Of Commercial Banks In Malaysia After The 1997 Financial Crisis.

Siraj, K.K. and Pillai, P.S. (2011). Asset Quality and Profitability of Indian Scheduled Commercial Banks during Global Financial Crisis. International Research Journal of Finance and Economics ISSN 1450-2887 Issue 80 (2011).

Annual Report and Audited Financial Report from CIMB Bank, CIMB Islamic and CIMB Investment

Websites:-

CIMB Groups website

CIMB Bank Website

CIMB Islamic Website

CIMB Investment Website

Bank Negara Malaysia