

CHAPTER 4

ANALYSIS OF RESULTS

In this chapter, BIMB's performance will be compared with the performance of commercial banks. The results obtained from the analysis are divided into two sections. The first section involves performance comparison between BIMB and seven conventional banks between 1989-99. The second section involves performance comparison between BIMB and fifteen conventional banks for the period 1997-99.

4.1 Comparative analysis of BIMB's performance with seven conventional banks for the period 1989-99

This is an eleven-year performance comparison between BIMB and seven commercial banks. This analysis will give us an overview of BIMB's performance in the decade of the 90s. Performance is compared in terms of assets and deposits growth, profitability, liquidity, solvency, credit risk, earnings risk and sectoral contribution to the economy.

4.1.1 Assets and Deposits

The asset growth of BIMB and seven commercial banks for the period 1990-1999 is shown in Table 1. The graph in Fig 1 shows BIMB's asset growth against the average asset growth of the seven commercial banks.

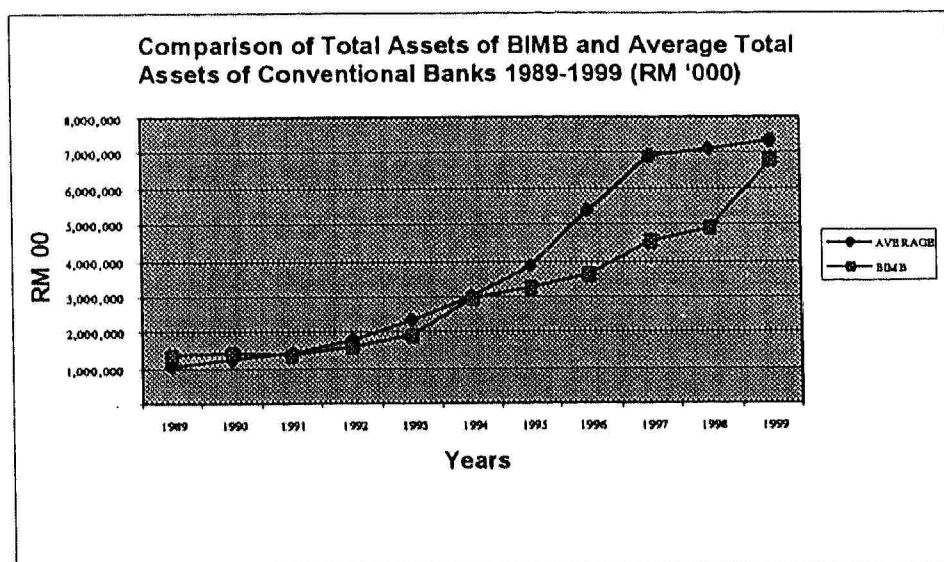
Overall, total assets of BIMB grew from RM 1.4b to RM 6.8b between 1989 -1999. The growth rate of assets rose from 2% (1990) to 37.8% (1999). This growth was characterised by a cyclical upward trend. In comparison, the total assets of the seven commercial banks in the sample showed a steady upward growth from 15.7% (1990) to 39.5% (1996) but declined to 28.9% (1997) and dropped further to 2.5% and 3.6% in 1998 and 1999 respectively. Comparing BIMB's asset growth with the seven conventional banks, it is found that majority of the conventional banks outperform BIMB in seven out of ten years.

Table 1
Asset Growth 1990-1999

BANK	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	16.4%	20.0%	32.0%	24.3%	22.3%	36.4%	21.6%	21.4%	0.9%	4.8%
Eon	7.0%	3.1%	44.9%	106.8%	129.7%	20.8%	87.5%	76.3%	16.7%	-7.9%
Hock Hua	22.5%	23.4%	29.9%	33.5%	10.8%	12.2%	31.7%	5.1%	2.0%	15.2%
Oriental	11.5%	n.a.	n.a.	21.7%	27.0%	28.4%	29.4%	31.1%	8.7%	-7.3%
Pacific	27.0%	45.2%	13.6%	30.8%	27.4%	51.8%	57.2%	19.8%	-5.7%	-6.8%
Sabah	7.6%	9.0%	11.0%	18.0%	17.4%	28.0%	29.4%	35.4%	-8.2%	14.5%
Southern	11.2%	10.7%	3.2%	26.2%	40.1%	15.1%	31.1%	29.4%	-0.7%	30.2%
AVERAGE	16.7%	19.1%	25.0%	29.0%	30.5%	28.4%	39.5%	28.9%	2.5%	3.6%
BIMB	2.0%	-2.8%	18.5%	17.6%	56.0%	10.2%	11.1%	25.0%	8.7%	37.8%

Source : Annual reports of banks, various years (Appendix)

Fig 1
Asset Growth 1989-1999



Source : Compiled from the annual reports of banks (Appendix 1)

The deposit growth of BIMB and seven conventional banks are displayed in Table 2 and Fig 2. BIMB has seen its total deposits grow from RM 1.2b (1989) to RM 5.6b (1999), a growth of nearly five times in the eleven-year period. Deposit growth too, exhibited a cyclical upward pattern. At the starting period of 1989-90, deposit growth was negative. Between 1992-1994, deposit growth grew from 12.1% to 58.1% but tapered off after that. Deposit growth hit another low in 1998 with only 0.1% but improved dramatically in 1999 to 51.1%.

For the rest of the banks in this study, the average deposit growth saw an increase from 13.2% (1990) to 20.4% (1992) before easing to 17.3% in 1993. After 1993, average deposits growth climbed steadily to reach 47.9% in 1996. However, it plummeted to 21.5% in 1997 and then to an all time low of 3.7% (1998) and 9.2% (1999) respectively.

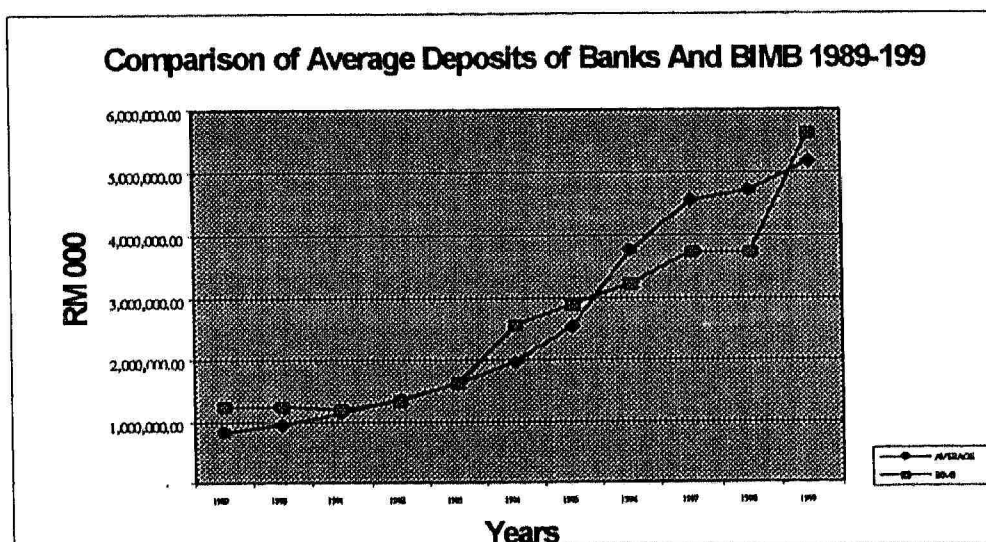
Comparing the deposit growth of BIMB with all seven conventional banks, the majority of the conventional banks outperform BIMB in six out of ten years.

Table 2
Deposit Growth 1990-1999

BANK	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	9.1%	21.2%	33.9%	18.2%	18.1%	35.0%	31.1%	14.4%	10.2%	5.2%
Eon	9.2%	2.3%	13.3%	76.1%	72.2%	42.9%	152.1%	53.8%	-7.7%	7.1%
Hock Hua	15.3%	28.6%	34.4%	28.0%	12.4%	13.8%	34.3%	-3.5%	1.4%	23.4%
Oriental	14.4%	n.a.	n.a.	14.6%	21.7%	10.2%	45.3%	50.5%	12.6%	0.0%
Pacific	15.7%	42.1%	18.3%	14.3%	25.6%	43.6%	71.4%	15.7%	2.7%	-2.0%
Sabah	5.9%	9.0%	7.3%	21.8%	11.1%	36.9%	24.2%	32.3%	-7.0%	42.3%
Southern	16.3%	14.7%	3.4%	1.4%	31.5%	38.9%	25.8%	12.0%	5.9%	19.9%
AVERAGE	13.2%	21.3%	20.4%	17.3%	22.8%	30.6%	47.9%	21.5%	3.7%	9.2%
BIMB	-0.7%	-3.5%	12.1%	22.1%	58.1%	12.5%	11.5%	16.3%	0.1%	51.1%

Source : Annual reports of banks, various years (Appendix 1)

Fig 2
Deposit Growth 1989-1999



Source : Annual reports of banks, various years (Appendix 1)

The asset and deposit growth of BIMB has been on the up trend during the eleven-year period. These findings contradict the findings of previous researchers who find that assets and deposits growth of Islamic banks generally show a declining trend. However, as discussed earlier, BIMB is outperformed in both asset and deposit growth by most conventional banks during this period.

4.1.2 Profitability

Profitability of BIMB and the seven conventional banks are compared using the Return on Equity (ROE) and Return on Assets (ROA). The ROE and ROA figures for 1989-1999 are shown in the following tables:

Table 3
Return on Equity

BANK	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	0.050	0.043	0.078	0.126	0.132	0.152	0.174	0.127	0.109	0.041	0.112
Eon	0.122	0.030	0.098	0.029	0.026	0.013	0.017	0.042	0.004	-0.044	0.052
Hock Hua	0.099	0.069	0.090	0.108	0.151	0.189	0.148	0.169	0.366	0.076	0.104
Oriental	0.019	0.110	n.a.	0.135	0.117	0.094	0.106	0.089	0.128	-0.155	-18.041
Pacific	0.115	0.068	0.084	0.097	0.107	0.075	0.063	0.119	0.080	0.019	0.085
Sabah	0.248	0.240	0.171	0.151	0.163	0.167	0.158	0.123	0.058	-0.138	0.928
Southern	0.114	0.108	0.122	0.139	0.137	0.160	0.106	0.131	0.073	0.063	0.063
AVERAGE	0.110	0.096	0.107	0.112	0.119	0.121	0.110	0.114	0.117	-0.020	-2.385
BIMB	0.058	0.075	0.084	0.049	0.089	0.114	0.113	0.080	0.119	0.001	0.047

Source : Annual reports of banks, various years (Appendix 1)

Table 4
Return on Assets

BANK	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	0.003	0.004	0.007	0.009	0.009	0.010	0.010	0.010	0.008	0.003	0.009
Eon	0.006	0.001	0.005	0.004	0.003	0.001	0.002	0.005	0.001	-0.006	0.008
Hock Hua	0.008	0.010	0.012	0.012	0.014	0.019	0.015	0.015	0.051	0.011	0.014
Oriental	0.001	0.006	n.a.	0.009	0.007	0.005	0.006	0.006	0.008	-0.008	-0.055
Pacific	0.007	0.007	0.006	0.007	0.006	0.006	0.006	0.010	0.006	0.001	0.007
Sabah	0.016	0.019	0.015	0.014	0.015	0.016	0.014	0.014	0.005	-0.012	0.069
Southern	0.011	0.010	0.012	0.014	0.012	0.012	0.013	0.013	0.010	0.009	0.012
AVERAGE	0.008	0.008	0.009	0.010	0.010	0.010	0.009	0.010	0.013	0.000	0.009
BIMB	0.004	0.005	0.006	0.006	0.009	0.008	0.008	0.006	0.007	0.000	0.007

Source : Annual reports of banks, various years (Appendix 1)

In terms of profitability, the ROE ratios for BIMB have decreased overall from 0.058 (1989) to 0.047 (1999). The trend however, has not always been declining. Between 1989-1999, the ROE has been on the up trend except for 1992 and 1996. The drastic drop of the ROE ratio to 0.001 in 1997 is the result of the financial crisis. As for the ROA ratios, these have exhibited an upward cyclical trend from 0.004 (1989) to 0.007 (1999). The worst performance for BIMB has been 1998 where the ROA fell to zero. Therefore, profitability of BIMB in terms of ROE and ROA has been increasing over the years with the exception of some years and during the period of the crisis.

As for the commercial banks, the average ROE and average ROA have remained stable over the years with the exception of 1998 and 1999. By comparison using the ROE, the majority of banks manage to outperform BIMB in eight out of eleven

years. Using the ROA ratio, BIMB is outperformed in all eleven years by the majority of the conventional banks. Therefore, it can be concluded that BIMB has not been as profitable as conventional banks during the eleven-year period. These findings are consistent with the results of Samad and Hassan (1999) although their period of analysis differs slightly i.e. from 1984-1997.

4.1.3 Solvency

Solvency of the banks is measured using the core capital ratio, risk-weighted capital ratio and the equity multiplier. All the ratios for the seven banks and BIMB are displayed in Tables 5,6 and 7.

In terms of solvency, BIMB's core capital ratio and risk-weighted capital ratio appeared to be falling from 17.5 (1993) to 9.6 (1996). From 1997 onwards, the ratios began to increase before falling slightly to 23.8 in 1999. In general, BIMB's core capital and risk-weighted ratios exceeded those of conventional banks with the exception of 1996 and 1997. Therefore compared to the conventional banks, BIMB capital adequacy position is very secure.

As for BIMB's equity multiplier, it shows an overall downward trend from 15.31 (1989) to 7.02 (1999) although the movement has been cyclical in the eleven-year period. This trend is true for the majority of the conventional banks. Surprisingly however, BIMB's equity multiplier is higher than the majority of banks in seven out of the eleven years. This result seems to contradict the findings of the core capital and risk-weighted asset ratios.

Table 5
Core Capital Ratio

BANK	1989-92	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee		10.90	8.60	7.78	10.03	9.37	9.81	10.65
Eon		12.36	9.09	10.77	11.60	15.29	15.25	15.84
Hock Hua		14.20	13.70	12.60	13.00	17.20	18.10	18.20
Oriental	n.a.	9.45	9.11	8.10	9.76	8.81	7.29	0.46
Pacific		9.02	13.58	14.34	11.59	10.75	10.79	12.32
Sabah		13.30	12.80	11.96	14.08	11.12	16.80	-
Southern		n.a.	n.a.	13.78	14.22	20.34	18.83	12.44
AVERAGE		11.54	11.15	11.33	12.04	13.27	13.84	9.99
BIMB		17.50	18.60	12.50	9.60	10.30	28.40	23.80

Source : Annual reports of banks, various years (Appendix 1)

Table 6
Risk Weighted Capital Ratio

BANK	1989-92	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee		11.69	10.68	10.20	12.83	12.07	12.83	13.57
Eon		12.36	9.09	10.77	11.60	15.29	15.25	15.84
Hock Hua		14.20	13.70	12.60	13.00	18.40	19.30	19.00
Oriental	n.a.	11.11	11.02	9.80	10.99	11.73	8.79	16.67
Pacific		9.58	14.31	14.79	11.82	11.36	11.28	12.81
Sabah		14.30	13.80	12.91	15.10	12.86	18.70	n.a.
Southern		n.a.	n.a.	13.78	14.35	20.34	18.83	12.44
AVERAGE		12.21	12.10	12.12	12.81	14.58	15.00	12.90
BIMB		17.50	18.60	12.50	9.60	12.10	29.40	24.70

Source : Annual reports of banks, various years (Appendix 1)

Table 7
Equity Multiplier

BANK	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	16.61	9.92	11.13	13.39	14.67	15.53	17.77	12.40	13.19	12.94	11.86
Eon	19.19	19.92	18.32	7.20	7.53	8.87	7.15	8.52	6.46	7.86	6.86
Hock Hua	11.74	6.64	7.68	9.20	10.68	9.95	9.80	10.90	7.21	6.92	7.29
Oriental	19.51	19.37	n.a.	15.89	16.92	18.72	18.74	14.25	15.75	18.94	326.90
Pacific	17.25	9.91	13.55	14.28	16.87	11.93	10.16	12.39	13.73	12.73	11.34
Sabah	15.48	12.65	11.44	10.78	10.64	10.41	11.22	8.83	11.27	11.77	13.46
Southern	9.93	10.37	10.57	9.82	11.15	13.64	8.46	9.96	7.11	6.75	5.38
AVERAGE	15.67	12.68	12.11	11.51	12.64	12.72	11.90	11.04	10.67	11.13	54.73
BIMB	15.31	15.11	13.66	8.65	9.63	13.89	13.93	14.04	15.99	5.29	7.02

Source : Annual reports of banks, various years (Appendix 1)

4.1.4 Liquidity

In this section, BIMB's performance in terms of liquidity will be compared with other commercial banks. The current ratio, loan deposit ratio and loan asset ratio will be used as indicators of liquidity. The results are displayed in Tables 8, 9 and 10.

Table 8
Current Ratio

BANK	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	0.43	0.28	0.21	0.31	0.35	0.17	0.28	0.16	0.07	0.20	0.20
Eon	0.12	0.21	0.17	0.43	0.50	0.46	0.16	0.13	0.08	0.18	0.11
Hock Hua	0.36	0.27	0.28	0.28	0.35	0.27	0.20	0.10	0.09	0.19	0.19
Oriental	0.21	0.11	n.a.	0.19	0.17	0.33	0.23	0.13	0.14	0.12	0.23
Pacific	0.13	0.15	0.11	0.19	0.23	0.25	0.16	0.17	0.11	0.23	0.22
Sabah	0.15	0.14	0.05	0.07	0.09	0.10	0.08	0.05	0.07	0.10	0.11
Southern	0.04	0.06	0.05	0.09	0.26	0.30	0.24	0.15	0.12	0.05	0.10
AVERAGE	0.21	0.18	0.16	0.22	0.28	0.27	0.19	0.13	0.10	0.16	0.17
BIMB	0.01	0.01	0.02	0.02	0.02	0.03	0.05	0.11	0.13	0.14	0.28

Source : Annual reports of banks, various years (Appendix 1)

Table 9
Loan Deposit Ratio

BANK	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	0.54	0.75	0.79	0.70	0.68	0.80	0.76	0.78	0.84	0.80	0.80
Eon	0.82	0.73	0.77	0.70	0.79	0.95	1.22	0.95	1.12	1.28	1.18
Hock Hua	0.69	0.73	0.76	0.72	0.72	0.75	0.79	0.77	0.86	0.88	0.82
Oriental	0.89	0.98	n.a.	1.10	0.97	0.89	1.26	1.27	1.06	1.06	0.89
Pacific	0.83	0.91	0.90	0.80	0.87	0.82	0.98	0.91	0.91	0.83	0.79
Sabah	0.64	0.77	0.81	0.86	0.80	0.87	0.83	0.90	0.89	0.95	0.71
Southern	0.92	0.88	0.86	0.83	0.90	0.88	0.84	0.88	0.97	1.06	1.08
AVERAGE	0.76	0.82	0.82	0.81	0.82	0.85	0.95	0.92	0.95	0.98	0.90
BIMB	0.54	0.66	0.67	0.77	0.62	0.38	0.50	0.63	0.66	0.79	0.61

Source : Annual reports of banks, various years (Appendix 1)

Table 10
Loan Asset Ratio

BANK	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ban Hin Lee	0.46	0.60	0.63	0.57	0.53	0.60	0.57	0.62	0.64	0.66	0.66
Eon	0.67	0.61	0.64	0.46	0.44	0.40	0.60	0.63	0.65	0.58	0.63
Hock Hua	0.55	0.55	0.60	0.59	0.56	0.59	0.64	0.63	0.64	0.66	0.65
Oriental	0.64	0.73	n.a.	0.66	0.55	0.48	0.58	0.66	0.63	0.66	0.60
Pacific	0.70	0.70	0.68	0.62	0.59	0.55	0.62	0.63	0.61	0.61	0.61
Sabah	0.55	0.64	0.68	0.69	0.67	0.68	0.70	0.73	0.71	0.77	0.71
Southern	0.66	0.66	0.66	0.64	0.56	0.51	0.59	0.59	0.57	0.66	0.62
AVERAGE	0.60	0.64	0.65	0.60	0.56	0.54	0.61	0.64	0.64	0.66	0.64
BIMB	0.49	0.58	0.58	0.63	0.53	0.33	0.44	0.55	0.55	0.60	0.50

Source : Annual reports of banks, various years (Appendix 1)

In terms of liquidity, BIMB's current ratio has increased steadily from 0.01 (1989) to 0.28 (1999) indicating that the bank's liquidity position has been improving over the years. The actual figures show that liquid assets have been increasing at a faster rate

than liquid liabilities. However, the current ratio finds BIMB in a lower liquidity position compared to the average of conventional banks between especially between 1989-1995. As for the loan deposit ratio and loan asset ratio, they show increases over the years.

However, in comparison with conventional banks, BIMB's loan deposit ratio and loan asset ratio is lower than the majority of conventional banks during the whole period of the study indicating that BIMB's liquidity position is more favourable than that of conventional banks. These findings confirm the results of previous researchers that Islamic banks are more liquid than conventional banks. In addition, it can also be deduced that BIMB apportions a smaller percentage of its total assets to loan activities compared to conventional banks.

4.1.5 Credit Risk

Data on general provision to total loans and non-performing loans in the period 1989-99 were not consistently available for all the banks in the analysis. Therefore, performance of banks in terms of credit risks will not be evaluated for this period.

4.1.6 Earnings Risk

Three indicators are used to represent earnings risk, the standard deviation of profit after tax, standard deviation of return on equity and standard deviation of return on asset. Earnings variability is observed over the period of eleven years from 1989-1999. The results are displayed in the table below.

Table 11
Standard Deviation of Profit After Tax, ROE and ROA

BANK	Standard Deviation of Profit After Tax 1989-1999	Standard Deviation of ROE 1989-1999	Standard Deviation of ROA 1989-1999
Ban Hin Lee	22,547.43	0.05	0.003
Eon	25,034.83	0.04	0.004
Hock Hua	62,759.53	0.08	0.012
Oriental	140,571.28	5.46	0.019
Pacific	28,331.36	0.03	0.002
Sabah	56,261.53	0.26	0.019
Southern	31,702.35	0.03	0.001
BIMB	13,654.84	0.04	0.002

Source : Annual reports of banks, various years (Appendix 1)

The standard deviation of profit after tax for BIMB is the lowest compared to the seven conventional banks in this analysis. This means the profit after tax of BIMB is less volatile than the other banks in this study over the period 1989-1999. The standard deviation of ROE and ROA of BIMB compared to the conventional banks show that BIMB's ROE and ROA is relatively less volatile with the exception of Southern Bank. Therefore, it can be concluded that in terms of earnings risk, BIMB's risk is relatively lower than most conventional banks.

4.1.7 Sectoral Contribution to the Economy

In terms of sectoral contribution to the economy, data for commercial banks were only available from 1996 or 1997 onwards. Therefore, the commercial banks' aggregate sectoral contribution (i.e. industry average) to the economy was obtained from Bank Negara's statistical bulletin. For BIMB, its percentage contribution before 1996 was obtained from Anwar and Yusof (1993).

Table 12
Sectoral Lending

Direction of Lending (%)	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, Mining & Quarry	5.2%	5.1%	5.2%	4.9%	4.6%	4.0%	2.7%	2.4%	1.2%	5.0%	6.3%
	6.3%	5.8%	5.3%	4.8%	3.8%	2.6%	2.3%	2.0%	2.3%	2.5%	2.5%
Manufacturing	28.4%	24.2%	30.3%	35.4%	36.2%	24.0%	22.4%	20.4%	20.3%	15.5%	16.6%
	14.6%	16.7%	17.1%	16.7%	15.6%	15.0%	14.5%	13.1%	19.0%	18.9%	18.7%
Elect, water & gas											
	0.3%	0.2%	0.7%	0.6%	0.8%	2.1%	2.0%	2.1%	1.4%	1.7%	1.8%
Construction and Real Estate	28.9%	20.8%	16.1%	16.2%	16.2%	17.4%	14.0%	23.9%	18.0%	18.7%	12.8%
	19.2%	17.6%	16.7%	17.7%	17.0%	14.8%	16.0%	17.2%	14.4%	14.1%	13.9%
Purchase of landed property :					17.5%	22.2%	16.0%	14.4%	21.3%	36.5%	37.4%
	14.4%	13.4%	13.1%	13.9%	14.4%	14.2%	12.9%	12.7%	20.6%	22.2%	22.8%
General commerce	8.4%	5.6%	6.2%	5.6%	5.0%	6.7%	6.0%	6.0%	5.4%	10.5%	8.4%
	13.3%	12.0%	10.9%	10.3%	9.7%	9.0%	8.4%	7.7%	10.2%	10.1%	9.9%
Transport, storage & comms	1.4%	1.4%	1.1%	1.6%							
	1.8%	1.6%	2.0%	1.3%	1.6%	1.7%	1.6%	1.8%	3.0%	3.8%	4.0%
Fin, insurance & business svs	4.1%	3.8%	4.0%	2.9%	3.2%	2.8%	2.7%	3.0%	1.7%	1.1%	2.4%
	10.5%	10.7%	11.1%	12.2%	13.7%	11.4%	12.5%	14.2%	9.8%	10.1%	10.1%
Purchase of securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	2.6%	2.8%	3.0%	2.3%	2.5%	5.6%	4.5%	4.2%	8.3%	6.5%	5.8%
Purchase of transport vehicles											
	-	-	-	-	-	-	-	-	0.1%	0.5%	0.6%
Consumption credit					1.5%	2.1%	2.9%	3.0%	17%	4.2%	5.4%
	1.7%	2.3%	2.4%	2.5%	3.2%	3.5%	3.5%	3.5%	6.1%	5.3%	5.5%
Miscellaneous	25.1%	25.4%	23.1%	26.0%	14.5%	10.1%	18.3%	18.2%	23.3%	11.0%	9.9%
	15.2%	16.7%	17.7%	17.6%	17.7%	20.2%	21.8%	21.4%	4.8%	4.3%	4.4%
Total Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



BIMB's percentage contribution in terms of lending to the various sectors of the economy

The aggregate percentage contribution by the entire commercial banking sector including BIMB
(industry average)

Source : BIMB Annual Reports 1993-1999,

Anwar & Yusof (1993) Table 3, Banker's Journal Malaysia, Oct 1993, p.42

Bank Negara Malaysia Statistical Bulletin

In terms of sectoral contribution, BIMB's priority sector in terms of lending has been toward manufacturing, purchase of landed property, construction and real estate. In 1999, these three sectors make up 18.8%, 37.4% and 12.5% respectively of BIMB's total loans. Agriculture, mining and quarrying, which are considered the poorer sectors make up only 5.3% of total lending in 1999.

This observation confirms the findings of other researchers (Anwar & Yusof 1993, Wong 1995) that the lending priority of BIMB does not differ much from commercial banks. However, an encouraging observation is that BIMB's lending to the agricultural, mining and quarry sector has improved in later years. For the period 1997-1999, its percentage contribution to agriculture, mining and quarry stood at 5.0 – 6.2% compared to only 2.3-2.5% for the entire commercial banking. Although BIMB has not totally fulfilled the equitable income distribution objectives of Islamic banking, there has been some effort to move toward this.

4.2 Comparative analysis of BIMB's performance with fifteen conventional banks during the period of the financial crisis 1997-99

This is a three-year performance comparison between BIMB and seven commercial banks. The period of the financial crisis signifies a period where liquidity and credit were tight, leading to reductions in lending activities. Prudent management was required to keep the banks going.

A comparison of BIMB's performance with commercial banks during this period will reveal the extent of BIMB's resilience in facing the downturn. Like in the previous section, performance comparison is made in terms of assets and deposits growth, profitability, liquidity, solvency, credit risk, earnings risk and sectoral contribution to the economy.

4.2.1 Assets and Deposits

The following table shows the asset and deposit growth of BIMB and fifteen conventional banks for the period 1997-1999.

Table 13
Asset Growth and Deposit Growth

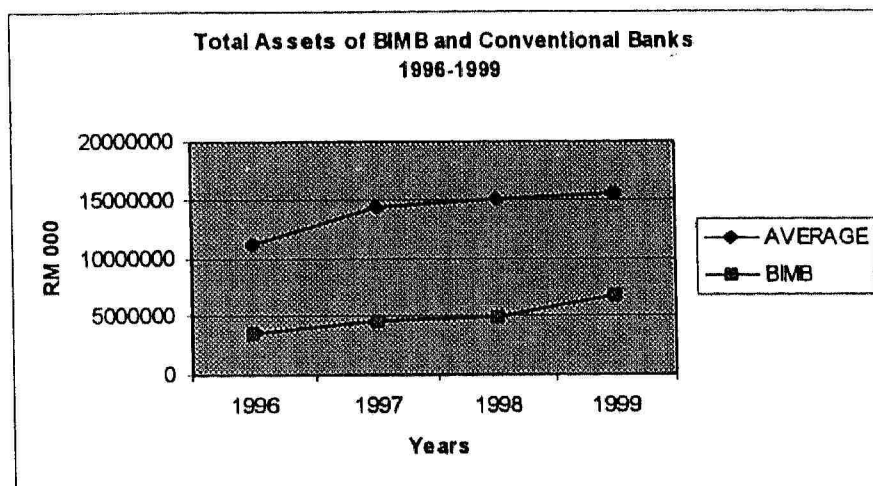
Asset Growth				Deposit Growth			
BANK	1997	1998	1999	BANK	1997	1998	1999
Ban Hin Lee	21.4%	0.9%	4.8%	Ban Hin Lee	14.4%	10.2%	5.2%
Eon	76.3%	16.7%	-7.9%	Eon	53.8%	-7.7%	7.1%
Hock Hua	5.1%	2.0%	15.2%	Hock Hua	-3.5%	1.4%	23.4%
Oriental	31.1%	8.7%	-7.3%	Oriental	50.5%	12.6%	0.0%
Pacific	19.8%	-5.7%	-6.8%	Pacific	15.7%	2.7%	-2.0%
Sabah	35.4%	-8.2%	14.5%	Sabah	32.3%	-7.0%	42.3%
Southern	29.4%	-0.7%	30.2%	Southern	12.0%	5.9%	19.9%
ArabMsia	81.9%	32.7%	-5.7%	ArabMsia	114.1%	-29.9%	43.1%
HongLeong	51.4%	11.1%	9.7%	HongLeong	41.3%	24.8%	15.8%
IBM	77.8%	-40.0%	50.9%	IBM	20.8%	5.6%	49.0%
Maybank	23.9%	4.9%	0.8%	Maybank	19.4%	10.6%	11.0%
MultiPurpose	28.8%	-14.4%	30.4%	MultiPurpose	17.2%	-4.2%	35.9%
PerAffin	26.5%	-6.0%	4.4%	PerAffin	15.9%	7.5%	5.4%
PhileoAllied	109.9%	29.4%	2.4%	PhileoAllied	165.3%	-4.1%	29.6%
Public	18.0%	3.5%	1.4%	Public	17.1%	4.0%	4.9%
AVERAGE	42.5%	2.3%	9.1%	AVERAGE	39.1%	2.2%	19.4%
BIMB	25.0%	8.7%	37.8%	BIMB	16.3%	0.1%	51.1%

Source : Annual reports of banks, various years (Appendix 1 and 2)

The graph in Fig 3 show the asset growth of BIMB compared to the average asset growth for the fifteen conventional banks whereas the graph in Fig 4 shows the deposit growth of BIMB compared to the average deposit growth for the fifteen conventional banks.

Fig 3

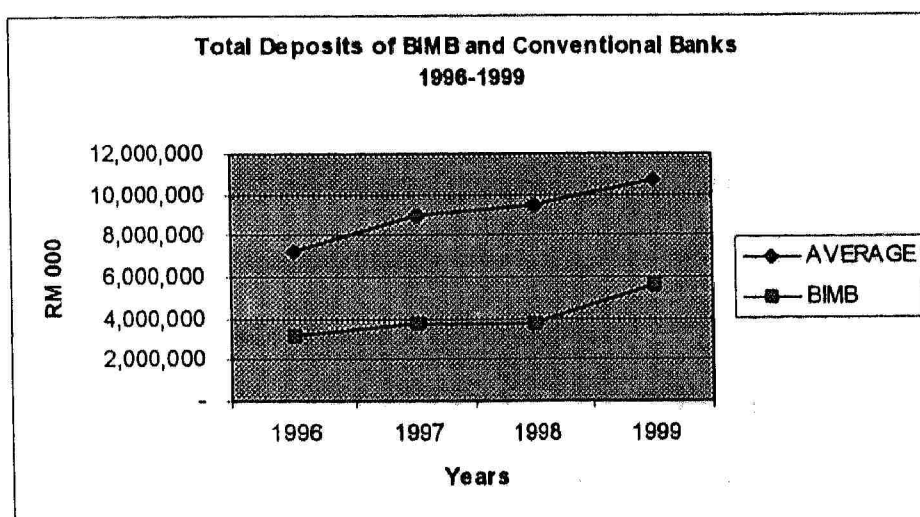
Asset Growth 1996-1999



Source : Annual Reports of banks, various year

Fig 4

Deposit Growth 1996-1999



Source : Annual reports of banks, various years (Appendix 1 and 2)

In 1997, BIMB's asset growth was 25.0% but dipped to 8.7% in 1998, the time when the effect of the crisis was fully realised in the economy. However, the turnaround was equally dramatic. The following year, 1999 saw BIMB's asset growth shooting up to 37.8%. For the fifteen conventional banks, 1997 was a period where the average growth of assets was at a strong 42.5%. However, the crisis had hit the commercial banks quite hard, evidenced by a huge drop of 40.2% to a mere 2.3% in 1998. The recovery of commercial banks based on asset growth has not been as remarkable as BIMB. In 1999, the average growth rate of assets of conventional banks was only 9.1%.

In terms of deposit growth, BIMB showed moderate growth of 16.3% in 1997 compared to 39.1% on average for the commercial banks. In 1998, deposit growth fell to 0.1% but bounced back convincingly to a high of 51.1% in 1999. As for the commercial banks, 1998 saw a fall of deposit growth to 2.2% while in 1999, deposit growth increased to only 19.4%. In terms of the recovery in deposit growth, BIMB outperformed all the fifteen commercial banks.

The possible reason why BIMB's asset and deposit growth went up so significantly in 1999 can be attributed to the substitution effect. Interest rates on savings and fixed deposits had fallen to an all time low.¹⁰ Some depositors who had originally placed their money in commercial banks have switched to BIMB because of the perceived safer and higher returns compared to what was being offered by commercial banks. This observation is not isolated to the financial crisis alone. Previous researchers

have reported negative associations between interest rates of commercial banks and deposits of interest-free banking (Haron 2000, Radiah 1993).

4.2.2 Profitability

The profitability of BIMB and conventional banks measured in terms of ROE and ROA is shown in Table 14 and 15 below.

Table 14
ROE and ROA

Return on Equity				Return on Asset		
BANK	1997	1998	1999	1997	1998	1999
Ban Hin Lee	0.109	0.041	0.112	0.008	0.003	0.009
Eon	0.004	-0.044	0.052	0.001	-0.006	0.008
Hock Hua	0.366	0.076	0.104	0.051	0.011	0.014
Oriental	0.128	-0.155	-18.041	0.008	-0.008	-0.055
Pacific	0.080	0.019	0.085	0.006	0.001	0.007
Sabah	0.058	-0.138	0.928	0.005	-0.012	0.069
Southern	0.073	0.063	0.063	0.010	0.009	0.012
ArabMsla	0.099	-0.061	-48.760	0.005	-0.003	-0.043
HongLeong	0.112	0.040	0.075	0.009	0.004	0.008
IBM	0.032	0.064	0.114	0.002	0.006	0.011
Maybank	0.124	0.036	0.103	0.010	0.003	0.009
MultiPurpose	0.138	0.047	0.116	0.009	0.004	0.008
PerAffin	0.125	0.059	0.063	0.011	0.006	0.006
PhileoAllied	0.021	-0.107	-0.030	0.002	-0.007	-0.002
Public	0.103	0.099	0.157	0.008	0.009	0.017
AVERAGE	0.105	0.002	-4.324	0.010	0.001	0.005
BIMB	0.119	0.001	0.047	0.007	0.000	0.007

Source : Annual reports of banks, various years (Appendix 1 and 2)

¹⁰ In 1999, the interest on savings was 2.76%. For fixed deposits, interest rates ranged from 3.24% (1month) to 3.95% (12 months). By contrast in 1998, interest on savings was 3.87% while interest on fixed deposits ranged from 5.82% (1month) to 5.74% (12 months).

In terms of profitability, the 1997 ROE ratios show that BIMB did better than the fifteen conventional banks. However in 1998, BIMB's ROE ratio was lower than the average ROE for the conventional banks. This fall in BIMB's ROE was mainly caused by a drastic drop in profit after tax by nearly thirty three times. In 1999, BIMB's ROE rose to an astounding 0.047 attributed to a recovery after tax. But for the conventional banks, the average ROE fell to a dismal -4.324. However, it is noted that two commercial banks' ROE ratios have badly skewed the average ROE. On an individual bank basis, ten banks' ROE were actually higher than BIMB's ROE in 1998 while twelve banks' ROE were higher than BIMB's ROE in 1999.

The ROA ratio for BIMB was 0.007 in 1997, lower than the conventional banks' average ROA of 0.10. In 1998, BIMB's ROA fell to zero while the average ROA for conventional banks stood at 0.001. But the opposite was experienced in 1999, which showed BIMB's recovery with an ROA of 0.007 while the average ROA stood at 0.005. Looking at individual banks, ten conventional banks' ROA was higher than BIMB's ROA in 1998 and eight conventional banks' ROA was higher than BIMB's ROA in 1999 respectively. From the ROA and ROE results, we can conclude that BIMB's profitability is comparable with conventional banks during the financial crisis but most commercial banks' still outperform BIMB.

4.2.2 Solvency

Solvency of BIMB and the fifteen conventional banks between 1997-99 is measured using the core capital ratio, risk weighted capital ratio and the equity multiplier as shown in the Tables 15 and 16.

Table 15
Core Capital Ratio and Risk Weighted Capital Ratio

Core Capital Ratio				Risk Weighted Capital Ratio (RWCR)		
BANK	1997	1998	1999	1997	1998	1999
Ban Hin Lee	9.37	9.81	10.65	12.07	12.83	13.57
Eon	15.29	15.25	15.84	15.29	15.25	15.84
Hock Hua	17.20	18.10	18.20	18.40	19.30	19.00
Oriental	8.81	7.29	0.46	11.73	8.79	16.67
Pacific	10.75	10.79	12.32	11.36	11.28	12.81
Sabah	11.12	16.80	n.a.	12.86	18.70	n.a.
Southern	20.34	18.83	12.44	20.34	18.83	12.44
ArabMsia	5.35	5.02	0.12	9.98	9.58	9.43
HongLeong	10.37	12.90	13.02	10.37	12.90	13.02
IBM	9.66	11.34	14.29	10.83	13.31	16.08
Maybank	11.60	11.21	12.03	14.00	14.47	14.74
MultiPurpose	7.51	8.73	8.56	9.62	10.55	11.88
PerAffin	9.68	10.84	11.19	11.31	11.88	12.22
PhileoAllied	13.70	9.30	9.00	14.20	10.20	9.80
Public	10.74	14.70	15.90	10.74	14.70	15.90
AVERAGE	11.43	12.06	10.27	12.87	13.50	12.89
BIMB	10.30	28.40	23.80	12.10	29.40	24.70

Source : Annual reports of banks, various years (Appendix 1 and 2)

Table 16
Equity Multiplier

BANK	1997	1998	1999
Ban Hin Lee	13.19	12.94	11.86
Eon	6.46	7.86	6.86
Hock Hua	7.21	6.92	7.29
Oriental	15.75	18.94	326.90
Pacific	13.73	12.73	11.34
Sabah	11.27	11.77	13.46
Southern	7.11	6.75	5.38
ArabMsia	21.34	24.14	1,132.87
HongLeong	12.10	9.27	9.65
IBM	18.79	10.65	10.51
Maybank	11.89	12.04	11.09
MultiPurpose	15.59	12.98	14.96
PerAffin	11.65	10.50	10.44
PhileoAllied	10.86	15.57	16.43
Public	13.33	10.92	9.34
AVERAGE	12.68	12.27	106.56
BIMB	15.99	5.29	7.02

Source : Annual reports of banks, various years (Appendix 1 and 2)

In terms of solvency, the core capital ratio for BIMB was lower than the average core capital ratio for commercial banks in 1997. However, in 1998 and 1999 BIMB's core capital ratio rose to more than double the 1997 figure. As for the commercial banks, the average core capital ratio was lower than BIMB's ratio for 1998 and 1999. The risk weighted capital ratio shows similar results for all three years.

The equity multiplier further confirms the capital ratio results. BIMB has seen a fall in its equity multiplier from 15.99 (1997) to 5.29 (1998) and 7.02 (1999).

For the commercial banks, the average equity multiplier was 12.68 (1997) and 12.27 (1998) respectively. However, the 1999 average equity multiplier was at a ridiculous level of 106.56. This can be attributed to the extraordinary results of two commercial banks, which have badly skewed the outcome. Therefore it can be concluded that BIMB has proven that its cushion against insolvency is far more secure than conventional banks during the period of the financial crisis.

4.2.4 Liquidity

The following tables show the liquidity of BIMB compared to fifteen conventional banks between 1997-99 using the current ratio, loan deposit ratio and loan asset ratio.

Table 17
Current Ratio

BANK	1997	1998	1999
Ban Hin Lee	0.07	0.20	0.20
Eon	0.08	0.18	0.11
Hock Hua	0.09	0.19	0.19
Oriental	0.14	0.12	0.23
Pacific	0.11	0.23	0.22
Sabah	0.07	0.10	0.11
Southern	0.12	0.05	0.10
ArabMsia	0.06	0.06	0.12
HongLeong	0.21	0.11	0.26
IBM	0.50	0.19	0.38
Maybank	0.29	0.18	0.20
MultiPurpose	0.08	0.05	0.13
PerAffin	0.08	0.16	0.16
PhileoAllied	0.09	0.07	0.08
Public	0.35	0.29	0.34
AVERAGE	0.16	0.14	0.19
BIMB	0.13	0.14	0.28

Source : Annual reports of banks, various years (Appendix 1 and 2)

Table 18
Loan Deposit Ratio and Loan Asset Ratio

	Loan Deposit Ratio			Loan Asset Ratio		
BANK	1997	1998	1999	1997	1998	1999
Ban Hin Lee	0.84	0.80	0.80	0.64	0.66	0.66
Eon	1.12	1.28	1.18	0.65	0.58	0.63
Hock Hua	0.86	0.88	0.82	0.64	0.66	0.65
Oriental	1.06	1.06	0.89	0.63	0.66	0.60
Pacific	0.91	0.83	0.79	0.61	0.61	0.61
Sabah	0.89	0.95	0.71	0.71	0.77	0.71
Southern	0.97	1.06	1.08	0.57	0.66	0.62
ArabMsia	1.20	2.24	1.40	0.68	0.67	0.64
HongLeong	0.96	0.90	0.77	0.63	0.67	0.61
IBM	0.92	0.88	0.71	0.42	0.70	0.56
Maybank	0.97	1.08	1.00	0.55	0.65	0.66
MultiPurpose	1.01	0.97	0.82	0.72	0.77	0.69
PerAffin	0.98	0.87	0.84	0.65	0.66	0.64
PhileoAllied	0.90	1.18	0.93	0.56	0.54	0.54
Public	0.53	0.03	0.55	0.38	0.02	0.41
AVERAGE	0.94	1.00	0.89	0.60	0.62	0.61
BIMB	0.66	0.79	0.61	0.55	0.60	0.50

Source : Annual reports of banks, various years (Appendix 1 and 2)

In terms of liquidity, the current ratio of BIMB was 0.13, slightly lower than the conventional banks' average of 0.16 for 1997. In 1998, both BIMB and conventional banks' average was identical at 0.14. However, 1999 saw a doubling of this figure for BIMB to 0.28 while there was only a small increase in the average current ratio of the banks to 0.19.

Using the loan to deposit indicator, it is found that BIMB's loan to deposit ratio is far below the banks' average. Actually, with the exception of Public Bank, the loan deposit ratio of BIMB is lower than all the commercial banks for all the three years.

The loan asset ratio shows similar results. This means that BIMB is very liquid compared to conventional banks allocating only between fifty to sixty percent of its assets to loan activities compared to sixty to sixty two percent of the average conventional bank.

4.2.5 Credit Risk

Three indicators are used to measure credit risk, the percentage general provision to total loans, percentage non-performing loans to total loans and the standard deviation of non-performing loans to total loans. (Table 19)

In terms of credit risk, the findings show that the general provision to total loans for BIMB was lower than the banks' average for all three years. This indicates that BIMB's expectations of bad loan recovery were lower compared to commercial banks. As for the percentage of non-performing loans to total loans, BIMB's NPL/TL was higher than the conventional banks' average in 1997 but lower in both 1998 and 1999. This shows that BIMB's credit risk is lower than that of commercial banks on average. However, when comparing BIMB with individual banks, it is found that slightly more about half of the commercial banks in the study had NPL/TL which were lower than BIMB's. This implies that on the whole, BIMB's credit risks do not differ much from commercial banks.

In terms of volatility of non-performing loans, BIMB's standard deviation of NPL to Total Loans stood at 1.89 compared to the least volatile bank, Public Bank at 0.83 and the most volatile bank, Arab Malaysia at 23.29. In terms of ranking, BIMB ranks seventh in terms of being least volatile. Again, results show that BIMB's credit risks are similar to those faced by an average commercial bank.

Table 19

**General Provision to Total Loans, Non-performing Loans to Total Loans and
Standard Deviation of Non-performing Loans to Total Loans**

BANK	GP/TL (%)			NPL/TL(%)			SD of NPL/TL
	1997	1998	1999	1997	1998	1999	1997-99
Ban Hin Lee	1.68	1.87	1.84	4.13	6.63	5.74	1.27
Eon	1.60	1.80	1.80	3.50	6.10	7.90	2.21
Hock Hua	2.00	2.00	2.00	4.84	5.68	7.29	1.25
Oriental	1.81	1.60	1.90	n.a.	17.70	27.10	13.76
Pacific	1.72	1.93	2.00	5.00	10.73	10.01	3.12
Sabah	1.90	1.90	n.a.	14.80	18.60	n.a.	9.83
Southern	1.50	1.50	1.50	2.80	5.80	6.00	1.79
ArabMsia	1.50	1.60	1.60	1.2	46.2	13.3	23.29
HongLeong	1.50	2.00	2.00	1.30	4.50	5.40	2.15
IBM	1.50	2.20	2.00	12.10	8.20	4.20	3.95
Maybank	3.24	3.32	3.39	1.41	3.19	3.73	1.21
MultiPurpose	1.59	1.50	1.50	5.36	7.38	6.81	1.04
PerAffin	2.38	1.55	1.54	5.86	11.09	11.61	3.18
PhileoAllied	1.10	1.58	1.58	0.67	7.01	17.03	8.25
Public	1.60	1.63	1.60	2.95	1.52	1.49	0.83
AVERAGE	1.77	1.87	1.75	4.39	10.69	8.51	
BIMB	1.05	1.57	1.50	4.97	8.64	7.58	1.89

Source : Annual reports of banks, various years (Appendix 1 and 2)

Further confirmation to these findings is found in Table 20, which shows the amount of non-performing loans acquired by Danaharta in 1999. Here, BIMB ranks midway at seventh place among the fifteen conventional banks in this analysis, with total non-performing loans at RM 197.6m of the RM19,127m acquired by Danaharta.

Table 20
NPLs acquired by Danaharta as at December 1999

BANK	RM mil	%	Ranking
Ban Hin Lee	115.5	0.60%	14
Eon	129.6	0.68%	13
Hock Hua	9.7	0.05%	15
Oriental	984.3	5.15%	2
Pacific	293.9	1.54%	4
Sabah	149.0	0.78%	10
Southern	153.0	0.80%	9
ArabMsia	685.9	3.59%	3
HongLeong	133.5	0.70%	12
IBM	8.5	0.04%	16
Maybank	1456.3	7.61%	1
MultiPurpose	286.1	1.50%	5
PerAffin	199.0	1.04%	6
PhileoAllied	141.9	0.74%	11
Public	162.1	0.85%	8
BIMB	197.6	1.03%	7
Others*	14021.1	73.31%	
TOTAL	19127	100.0%	

* Others denote finance companies, merchant banks, development financial institutions, offshore banks and other commercial banks which are not included in this analysis

Source : Compiled from Danaharta Operations Report, June-Dec 1999

These findings imply that BIMB's credit risks during the financial crisis are not much different from those experienced by most conventional banks. The likely reason for this is, BIMB's direction of lending is high toward the construction and real estate sectors similar to lending practices of commercial banks. These sectors have been significantly risky than others as demonstrated by the financial crisis. Therefore, BIMB faces credit risks similar to those faced by conventional banks.

4.2.6 Earnings Risk

Earnings risk for the period of the crisis 1997-99 for BIMB and the fifteen conventional banks are measured using the standard deviations of profit after tax, ROE and ROA. The results are summarised in Table 21.

In terms of earnings risk, the standard deviation of profit after tax for BIMB is among the lowest compared to other commercial banks even during the period of the financial crisis. This shows that BIMB's earnings are less volatile than most conventional banks. The standard deviation of ROE does not differ much from that of commercial banks with the exception of a few. As for the standard deviation of ROA, it is relatively low at 0.004, lower than eight but similar to six commercial banks in this analysis. Therefore, it can generally be concluded that BIMB's earnings risk is relatively lower than most commercial banks during the financial crisis.

Table 21
Standard Deviation of Profit after Tax, ROE and ROA

BANK	Standard deviation of Profit After Tax & Zakat (1997-1999)	Standard deviation of ROE (1997-1999)	Standard deviation of ROA (1997-1999)
Ban Hln Lee	20,564.37	0.04	0.003
Eon	45,171.38	0.04	0.007
Hock Hua	85,041.90	0.13	0.022
Oriental	233,024.7	9.03	0.033
Pacific	31,469.47	0.04	0.003
Sabah	96,931.11	0.47	0.043
Southern	21,643.58	0.03	0.001
ArabMsia	251,083.35	24.39	0.026
HongLeong	27,999.19	0.04	0.003
IBM	5,346.35	0.04	0.005
Maybank	274,966.80	0.05	0.004
MultiPurpose	31,299.25	0.08	0.003
PerAffin	60,104.50	0.05	0.003
PhileoAllied	39,735.54	0.06	0.004
Public	130,075.34	0.03	0.005
BIMB	13,654.84	0.04	0.004

Source : Annual reports of banks, various years (Appendix 1 and 2)

4.2.7 Sectoral Contribution to the Economy

In this section, BIMB's sectoral contribution to the economy in terms of lending will be compared with fifteen other commercial banks. In addition, a comparison will also be made with the industry average, obtained from Bank Negara's statistical bulletin. The individual banks' sectoral contribution to the economy in terms of lending is displayed in Table 22.

Table 22
Sectoral Lending of 15 Commercial Banks for 1997-99

Year : 1997	ArabM	HL	IBM	Mayb	Muti	PerAffin	Public	BHL	EON	HH	Orient	Pacific	Sabah	South
Agriculture, Mining & Quarry	1.4%	2.5%	9.1%	2.1%		2.3%	0.2%	1.4%	1.1%	2.7%	1.4%	2.3%	6.4%	1.7%
Manufacturing	17.1%	20.7%	8.0%	21.4%	n.a.	22.7%	4.1%	19.1%	14.4%	8.1%	24.7%	20.4%	8.5%	13.4%
Elect, water & gas	0.0%	0.4%	0.1%	4.0%		2.7%	1.9%	0.3%	2.6%	0.0%	1.1%	0.9%	0.8%	1.3%
Construction & Real Estate	27.5%	5.5%	20.0%	12.1%		15.0%	21.7%	16.3%	22.4%	21.2%	18.5%	13.7%	15.8%	17.1%
Purchase of landed property :	2.6%	24.6%	13.9%	13.0%		10.3%	9.8%	22.5%	23.7%	20.7%	17.2%	20.7%	27.4%	25.4%
General commerce	8.6%	11.4%	28.1%	8.5%		10.3%	3.2%	16.0%	6.1%	22.0%	9.4%	11.0%	21.8%	9.7%
Transport, storage & comms	0.0%	1.8%	4.4%	3.7%		3.4%	0.0%	4.0%	1.2%	2.2%	4.1%	1.8%	1.4%	1.9%
Fin, insurance & business svs	30.8%	12.6%	1.8%	12.1%		11.2%	14.4%	6.2%	8.3%	4.4%	13.4%	9.5%	6.1%	3.7%
Purchase of securities	0.0%	10.1%	2.6%	12.6%		3.1%	11.4%	4.4%	13.3%	3.0%	1.8%	7.0%	4.1%	7.2%
Purchase of transport vehicles	0.0%	0.1%	0.0%	0.0%		0.3%	0.1%	0.1%	0.1%	0.2%	0.0%	0.2%	0.3%	0.1%
Consumption credit	0.8%	3.8%	7.3%	5.2%		3.1%	19.8%	0.0%	4.1%	11.7%	7.2%	6.4%	0.0%	16.6%
Others	12.6%	9.1%	13.8%	7.5%		18.0%	13.6%	11.1%	0.0%	6.3%	2.4%	8.6%	13.9%	3.5%
Total Loans	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Year : 1998	ArabM	HL	IBM	Mayb	Muti	PerAffin	Public	BHL	EON	HH	Orient	Pacific	Sabah	South
Agriculture, Mining & Quarry	2.1%	1.8%	7.8%	2.0%	1.8%	1.9%	0.4%	1.5%	1.3%	2.6%	1.7%	2.4%	7.7%	1.9%
Manufacturing	13.5%	21.8%	7.6%	20.1%	20.4%	20.1%	7.7%	18.9%	16.7%	9.2%	23.6%	19.2%	9.9%	15.2%
Elect, water & gas	1.2%	0.1%	0.0%	3.2%	0.1%	3.1%	0.9%	0.3%	2.6%	0.0%	0.4%	1.6%	0.5%	3.4%
Construction & Real Estate	24.9%	7.5%	23.2%	12.2%	12.9%	16.4%	12.5%	18.0%	22.6%	20.3%	18.8%	12.6%	15.8%	15.6%
Purchase of landed property :	13.5%	26.9%	15.4%	14.7%	25.5%	7.4%	19.4%	25.0%	26.5%	20.6%	18.0%	22.9%	32.3%	24.7%
General commerce	5.9%	11.0%	28.4%	8.5%	13.8%	10.1%	10.1%	11.0%	6.2%	19.8%	11.7%	11.2%	13.9%	8.5%
Transport, storage & comms	3.5%	2.6%	4.0%	3.8%	3.8%	7.7%	6.1%	3.8%	1.3%	5.4%	3.5%	5.0%	1.4%	1.9%
Fin, insurance & business svs	13.8%	10.7%	2.3%	15.4%	4.9%	4.1%	11.4%	7.5%	8.3%	5.7%	9.0%	9.4%	5.2%	7.9%
Purchase of securities	12.5%	7.0%	1.2%	11.6%	12.0%	7.9%	10.2%	2.7%	10.7%	3.4%	3.8%	3.9%	4.0%	6.4%
Purchase of transport vehicles	0.0%	0.1%	0.0%	0.0%	0.0%	0.4%	0.1%	0.1%	0.2%	0.3%	0.0%	0.2%	0.3%	0.1%
Consumption credit	0.6%	5.1%	6.4%	3.0%	2.8%	5.5%	18.1%	0.0%	3.7%	9.2%	7.7%	6.3%	0.0%	12.9%
Others	10.7%	7.2%	11.5%	6.7%	3.8%	17.2%	3.5%	12.7%	0.0%	6.0%	3.5%	7.9%	16.6%	3.4%
Total Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Year : 1999	ArabM	HL	IBM	Mayb	Muti	PerAffin	Public	BHL	EON	HH	Orient	Pacific	Sabah	South
Agriculture, Mining & Quarry	4.8%	1.6%	9.1%	1.9%	1.3%	2.6%	0.3%	1.9%	2.1%	3.6%	1.8%	3.1%		2.2%
Manufacturing	13.6%	20.9%	8.7%	18.7%	16.8%	20.1%	7.8%	21.7%	16.3%	8.5%	22.6%	18.6%		14.1%
Elect, water & gas	0.9%	0.1%	0.0%	4.0%	0.1%	2.2%	0.8%	3.0%	0.4%	0.0%	0.5%	2.0%		2.1%
Construction & Real Estate	25.9%	7.4%	20.2%	11.2%	13.9%	17.0%	12.4%	16.8%	22.0%	20.1%	19.2%	13.7%		16.1%
Purchase of landed property :	17.4%	27.1%	16.7%	17.5%	22.8%	17.5%	19.6%	19.4%	27.9%	25.4%	18.5%	28.3%	n.a.	22.1%
General commerce	6.2%	11.5%	26.9%	7.8%	10.6%	9.4%	11.1%	18.2%	6.5%	18.6%	12.2%	11.2%		8.1%
Transport, storage & comms	4.4%	2.6%	1.5%	4.6%	3.2%	8.2%	6.0%	3.3%	1.2%	2.7%	3.2%	3.7%		1.1%
Fin, insurance & business svs	14.8%	10.1%	4.0%	20.1%	4.0%	8.0%	10.3%	2.9%	4.6%	4.9%	9.9%	6.7%		7.1%
Purchase of securities	9.5%	6.0%	2.4%	6.7%	13.3%	6.0%	11.8%	3.4%	7.2%	3.4%	3.3%	2.6%		6.1%
Purchase of transport vehicles	0.0%	0.1%	0.0%	0.0%	8.1%	0.3%	0.1%	0.1%	0.2%	0.6%	0.0%	0.2%		1.1%
Consumption credit	0.6%	6.9%	6.9%	3.8%	3.1%	4.4%	16.7%	0.0%	5.5%	8.8%	7.3%	7.1%		13.1%
Others	7.0%	7.3%	12.6%	5.4%	4.2%	6.8%	3.4%	11.1%	0.0%	7.0%	3.3%	6.9%		3.1%
Total Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%

Source : Annual reports of banks, various years (Appendix 1 and 2)

Comparisons between BIMB, the fifteen banks average and the industry average sectoral contribution to the economy is displayed in Table 23.

Table 23

Comparison of percentage contribution in terms of sectoral lending between BIMB, the fifteen commercial banks in this analysis and the entire commercial banking sector 1997- 1999

Direction of Lending (%)	1997	1998	1999
Agriculture, Mining & Quarry	6.2%	6.0%	6.1%
	2.2%	2.0%	2.2%
	2.3%	2.5%	2.5%
Manufacturing	18.4%	18.3%	18.6%
	18.9%	18.9%	17.8%
	19.0%	18.9%	18.7%
Elect, water & gas	2.5%	2.0%	2.3%
	1.4%	1.7%	1.8%
Construction and Real Estate	15.5%	15.7%	12.0%
	15.1%	14.6%	14.4%
	14.4%	14.1%	13.9%
Purchase of landed property :	21.2%	20.9%	27.4%
	15.6%	18.2%	20.3%
	20.6%	22.2%	22.8%
General commerce	8.8%	10.0%	8.4%
	9.9%	9.3%	9.6%
	10.2%	10.1%	9.9%
Transport, storage & comms	2.9%	4.0%	4.2%
	3.0%	3.8%	4.0%
Fin, insurance & business sys	1.7%	1.1%	2.4%
	11.9%	11.0%	12.8%
	9.8%	10.1%	10.1%
Purchase of securities	8.2%	9.1%	6.8%
	8.3%	6.5%	5.8%
Purchase of transport vehicles	0.1%	0.1%	0.7%
	0.1%	0.5%	0.6%
Consumption credit*	1.7%	2.2%	5.4%
	6.9%	5.2%	6.4%
	6.1%	5.3%	5.5%
Miscellaneous	23.2%	11.9%	8.0%
	9.6%	8.0%	6.0%
	4.8%	4.3%	4.4%
Total Loans	100.0%	100.0%	100.0%



BIMB's percentage contribution in terms of sectoral lending



The average percentage contribution in terms of sectoral lending by fifteen commercial banks in this analysis



The aggregate percentage contribution in terms of sectoral lending by the entire commercial banking sector including BIMB (industry average)

Source : Banks' Annual Reports 1997- 99, Bank Negara Malaysia Statistical Bulletin

In terms of sectoral contribution, it is found that BIMB's lending priority is similar to the fifteen banks in this sample as well as to the industry average. Lending direction is concentrated on the manufacturing, landed property, construction and real estate sectors, making up nearly two-thirds of its total sectoral contribution.

For the manufacturing sector, BIMB's contribution however, dropped from 21.3% (1997) to 15.3% (1998) but recovered to 18.8% (1999). Contrastingly, the fifteen banks in the sample and the industry average saw only marginal reductions but no recovery within that same period. Lending for the purchase of landed property has seen growth during the period of the crisis for both BIMB and commercial banks. This could be attributed to government efforts of house ownership campaigns during that period. BIMB's growth in this sector has been sharper compared to commercial banks. Between 1997-99, BIMB's contribution toward purchase of landed property grew from 21.3% to 36.9% in contribution whereas for commercial banks, the increase has been smaller from 20.8% to 22.8%.

For the construction and real estate sectors, BIMB's lending contribution has dropped by 6.3% compared to the drop of 0.7% (average of the fifteen commercial banks) and 0.5% (industry average). This reflects BIMB's cautiousness in lending policies following the financial crisis.

BIMB's contribution toward the agricultural, mining and quarrying sectors has been relatively low around 5% - 6.2% between 1997-99. However, this is higher compared to the industry average of 2.3% - 2.5%. A comparison with 15

commercial banks in the sample reveal that with the exception of International Bank Malaysia and Sabah Bank, BIMB's contribution toward this sector is higher than other commercial banks. This implies that BIMB has undertaken effort to maintain its sectoral contribution toward the poorer sectors of agriculture, mining and quarrying although its overall percentage contribution is small.