

A STUDY ON EFFECTIVENESS OF CREDIT MANAGEMENT POLICY ADOPTED BY TWO FINANCIAL INSTITUTIONS: ARAB MALAYSIA FINANCE BERHAD AND PUBLIC BANK BERHAD

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ABSTRACT

The objective of this research is to evaluate the effectiveness of credit management policy adopted by AMFB and PBB. Statistical methods are used to examine the differences of credit policy adopted by the banks. Risk and return measurement is used to indicate the performance of the bank and to determine the effectiveness of the credit management policy adopted.

In the final analysis, the study concluded that PBB has a strong financial fundamental and a good credit management. During recession PBB managed to gain profit, while AMFB was incurring losses in 1999. However, PBB is labeled as conservative and security-oriented. The bank is moving towards giving more emphasis on cash flow projections and business potential when evaluating loan applications.