

**CORPORATE GOVERNANCE REPORTING,  
CAMEL FRAMEWORK AND BANK PERFORMANCE**

**SITI NURAIN MUHMAD**

**DOCTOR OF PHILOSOPHY  
UNIVERSITI MALAYSIA TERENGGANU**

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Worldwide experience of the financial crisis in the banking sector has led to the unstable performance of banking institutions in Malaysia. Various measures have been taken to improve and empower bank performance so that their impact toward the crisis can be reduced, specifically in terms of financial crises. The crisis has resulted in the collapse of the stock market and property throughout the country, with the greatest impact causing some banks have been categorized as being unhealthy. Due to the crisis, some banks have had to merge and consolidate in order to continue their businesses. This happened due to the lack of mitigating measures, such as a less robust financial structure and weak corporate governance practices in Malaysia. Initially, most researchers only investigated the financial performance of banking institutions. However, recent years

have shown that, apart from financial performance, corporate governance is also an indicator that affects the reductions of bank performance.

To deal with the issue, this study attempts to investigate bank performance by accounting for both the financial structure and corporate governance of banking institutions that operated in Malaysia between 2008 and 2012. The financial structures used in this study are measured in terms of capital adequacy, asset quality, management competency, earning quality and liquidity; also known as the CAMEL framework. The CAMEL framework is one of the best techniques used by researchers to evaluate the financial performance of banks. Therefore, this study takes the initiative to utilize corporate governance as a moderator of the CAMEL framework and bank performance. Additionally, the current study has developed the Malaysian Bank Governance Reporting Score (MBGRS) as a mechanism of the corporate governance specifically; based on the corporate governance guidelines of banking institutions in Malaysia.

The first objective of this study is to develop a corporate governance reporting scores for banks in Malaysia. The result indicated that there were several elements of corporate governance that should be enhanced by the banking institutions, especially in terms of accountability and audit, and shareholder rights. The second objective is to examine the impact of the CAMEL framework and corporate governance on bank performance in Malaysia. The analysis has found that both indicators had a strong predicting power regarding bank performance. The third objective is to examine the moderating effect of corporate governance on the relationship between the CAMEL framework and bank performance in Malaysia. The results presented that capital adequacy, management competency, earning quality and liquidity had a significant relationship on bank

performance. The findings of this study show that the CAMEL framework - especially for the indicators of capital adequacy, management competency, earnings quality and liquidity - are stronger when linked with corporate governance; as previous research revealed that corporate governance could strengthen the relationship between the CAMEL framework and bank performance.

The main contribution of this study is the development of a Malaysian Bank Governance Reporting Score (MBGRS), which will meet the deficiency conditions shown in the field literature. Depositors and shareholders could use these result as a benchmark to choose the best bank for banking activities. Meanwhile, the top management of banks could be more aware of their achievements, as it is important for them to focus on corporate governance practices in enhancing bank performance. This study will contribute to extant literature by providing evidence on both the CAMEL framework and corporate governance in evaluating the performance of the entire banking sector.

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**PELAPORAN TADBIR URUS KORPORAT,  
RANGKA KERJA CAMEL DAN PRESTASI BANK**

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Pengalaman krisis kewangan di seluruh dunia dalam sektor perbankan telah membawa kepada prestasi yang tidak stabil terhadap institusi perbankan di Malaysia. Pelbagai langkah telah diambil untuk menambah baik dan memperkasakan prestasi bank supaya impak mereka terhadap krisis boleh dikurangkan, khususnya dari segi krisis kewangan. Krisis ini telah membawa kepada kejatuhan pasaran saham dan hartanah di seluruh negara, dengan kesan terbesar menyebabkan beberapa bank dikategorikan sebagai tidak sihat. Disebabkan krisis tersebut, beberapa bank terpaksa bergabung dan bersepadu untuk meneruskan perniagaan mereka. Ia berlaku disebabkan oleh kekurangan langkah-langkah penebatan seperti struktur kewangan yang tidak kukuh dan amalan tadbir urus korporat yang lemah di Malaysia. Pada peringkat awal, kebanyakan penyelidik hanya

menyiasat prestasi kewangan institusi perbankan. Namun, beberapa tahun kebelakangan ini telah menunjukkan bahawa, selain prestasi kewangan, tadbir urus korporat juga merupakan salah satu penunjuk yang menyebabkan pengurangan prestasi bank.

Untuk menangani isu tersebut, kajian ini cuba untuk menyiasat prestasi bank dengan mengambil kira kedua-dua struktur kewangan dan tadbir urus korporat institusi perbankan yang beroperasi di Malaysia antara tahun 2008 dan 2012. Struktur kewangan yang digunakan dalam kajian ini adalah diukur dari segi kecukupan modal, kualiti aset, kecekapan pengurusan, kualiti pendapatan dan kecairan tunai; juga dikenali sebagai rangka kerja CAMEL. Rangka kerja CAMEL adalah salah satu teknik yang terbaik yang telah digunakan oleh para penyelidik untuk menilai prestasi kewangan bank. Selain itu, kajian semasa telah membangunkan *Malaysian Bank Governance Reporting Score (MBGRS)* sebagai mekanisme kepada tadbir urus korporat secara khusus; berdasarkan garis panduan tadbir urus korporat institusi perbankan di Malaysia.

Objektif pertama kajian ini adalah untuk membangunkan pelaporan tadbir urus korporat untuk bank-bank di Malaysia. Hasil kajian telah menunjukkan bahawa terdapat beberapa elemen tadbir urus korporat yang perlu dipertingkatkan oleh institusi perbankan, terutamanya dari segi akauntabiliti dan audit, dan hak-hak pemegang saham. Objektif kedua adalah untuk mengkaji kesan rangka kerja CAMEL dan tadbir urus korporat terhadap prestasi bank di Malaysia. Analisis telah mendapati bahawa kedua-dua penunjuk mempunyai kuasa meramal yang kuat terhadap prestasi bank. Objektif ketiga adalah untuk mengkaji kesan penyederhanaan tadbir urus korporat kepada hubungan antara rangka kerja CAMEL dan prestasi bank di Malaysia. Hasil kajian telah menunjukkan bahawa kecukupan modal, kecekapan pengurusan, kualiti pendapatan dan

kecairan tunai mempunyai hubungan yang signifikan terhadap prestasi bank. Dapatan kajian ini menunjukkan bahawa rangka kerja CAMEL - terutama bagi penunjuk kecukupan modal, kecekapan pengurusan, kualiti pendapatan dan kecairan tunai - adalah lebih kukuh apabila dikaitkan dengan tadbir urus korporat; di mana penyelidikan lepas telah mendedahkan bahawa tadbir urus korporat dapat menguatkan hubungan antara rangka kerja CAMEL dan prestasi bank.

Sumbangan utama kajian ini adalah membangunkan *Malaysian Bank Governance Reporting Score (MBGRS)*, yang akan memenuhi syarat-syarat kekurangan yang telah ditunjukkan dalam medan kesusasteraan. Penedepositi dan pemegang saham boleh menggunakan hasil kajian ini sebagai penanda aras untuk memilih bank yang terbaik untuk aktiviti perbankan. Sementara itu, pengurusan tertinggi bank perlu lebih peka terhadap pencapaian mereka, kerana ianya penting kepada mereka untuk memberi tumpuan kepada amalan tadbir urus korporat dalam meningkatkan prestasi bank. Kajian ini akan menyumbang kepada kesusasteraan yang sedia ada dengan memberikan bukti terhadap kedua-dua rangka kerja CAMEL dan tadbir urus korporat dalam mengukur prestasi keseluruhan sektor perbankan.