# THE DETERMINANTS OF NON-PERFORMING LOAN IN MALAYSIA

## AYUNIE SYAZWINN BT ADNAN
## 2016689426

## BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE) FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA (TERENGGANU)

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AYUNIE SYAZWINN BINTI ADNAN
2016689426
Bachelor of Business Administration with Honours (Finance)

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# ABSTRACT

This study is observed the relationships between economic variables of Unemployment rate (UNR), Inflation (INFL), Gross Domestic Products (GDP), and Interest Rate (IR) towards Non-Performing Loans (NPL). This study is examining The Determinants of Non-Performing Loans in Malaysia from 1988 to 2017 with the number of observations of 30 by using time series data and method of Ordinary Least Square (OLS). The data collection is run by using EViews10 and interpret steps by steps. From the result obtained, it shows that UNR and IR have a positive significant relationship with NPL, but INFL and GDP shows a negatively related to NPL. Based on the study, the most significance variable is UNR that have a strong relationship with NPL, meanwhile GDP is come out with insignificantly related to NPL. The result will give a better understanding and useful in order to gain as much as information from all the economics variables that will highly influence NPL and hence the government can improve by reducing them from time to time. Moreover, this research also can help future researcher in order to gain more information by using this study as their guideline and also as one of their reference.

**Key Words:** Unemployment, Inflation, GDP, Interest Rate, OLS, NPL.