



**THE DETERMINANTS OF NON-PERFORMING LOAN
IN MALAYSIA**

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**BACHELOR OF BUSINESS ADMINISTRATION
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**Submitted in Partial Fulfilment of the
Requirement for the
Bachelor of Business Administration with Honours (Finance)**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
CAMPUS BANDARAYA MELAKA**

DECEMBER 2017

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

1. Shahira Puteri binti Shaari (950208-10-5530)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information has been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

December 2017

Madam Azhana Bt Othman
Lecturer of Faculty Business Management
Kampus Bandaraya Melaka
Universiti Teknologi MARA Melaka
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Dear Sir/Madam,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper title “**DETERMINANTS OF NON-PERFORMING LOAN IN MALAYSIA**” to fulfil the requirement needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours Sincerely,

SHAHIRA PUTERI BINTI SHAARI

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Bachelor of Business Administration with Honors (Finance)

ABSTRACT

This study examines the relationships between non-performing loan (NPL) and the determinants of exchange rate (ER), inflation rate (IR) and lending interest rate (BLR) from the quarter 4 of year of 2005 to quarter 2 of year 2017 which base on quarterly data. The data was analyzed by using Autoregressive Distributed Lag (ARDL) in order to define the statistical relationship among the variables. Besides, there are steps involved in the study begin with Autoregressive Distributed Lag (ARDL) methods and proceed with Descriptive Analysis, Diagnostic Checking, Unit Root tests, and Long Run Form. In Diagnostic Checking, some tests done to check the significant presents of autocorrelation, heteroscedasticity, the normality of data distribution and model specification. The result of this study shows that there is a significant relationship between the Non-performing loan (NPL) and the exchange rate (ER) and inflation rate (IR), while lending interest rate did not have any relationship with the NPL. As conclusion this studies has shows that the ER, IR and BLR become the factors that affecting the NPL ratio in Malaysia.

Keywords: non-performing loan, exchange rate, inflation rate, lending interest rate, autoregressive distributed lag