



**MACROECONOMIC FACTORS AND STOCK INDEX:
INVESTIGATION ON COMMERCIAL BANK'S PERFORMANCE**

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JUNE 2014

DECLARATION OF ORIGINAL WORK



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“DECLARATION OF ORIGINAL WORK”

We, Mohamad Zahin Bin Sabri, (I/C Number:920601-01-6537) and

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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 have been specifically acknowledged.

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Date: 27 JUNE 2014

LETTER OF SUBMISSION

JUNE 2014

The Head of Program

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Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**MACROECONOMIC FACTORS AND STOCK INDEX: INVESTIGATION ON COMMERCIAL BANK’S PERFORMANCE**” to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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ABSTRACT

This research is conducted to carry out the “Macroeconomic factors and stock index: Investigation on Commercial Bank’s performance”. In order to investigate the different findings from other previous researchers, we have decided the relationship between external factors and commercial banks performance. The objectives of this research are to identify the determinants of commercial bank’s performance and to examine the relationships between the macroeconomic variables and stock index with the commercial bank’s performance as well as to determine the most significant determinants that influence the performance of commercial banks. Our research provides quarterly data of commercial banks and macroeconomic variables from 1995 to 2013. We measure the performance of the banks using TobinQ method, consumer price index, base lending rate and KLCI Index. As results, we found that KLCI index has a positive and significant relationship with commercial banks performance whereas inflation and interest rate have an inverse relationship with commercial banks performance.

Keywords: Commercial Banks, Banks Performance, Macroeconomic Variables, Stock Index, Panel Data, Tobin Q

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