



**A STUDY ON DETERMINANTS OF BANK NET
INTEREST MARGIN IN MALAYSIA.**

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NOVEMBER 2010

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
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UNIVERSITI TEKNOLOGI MARA
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“DECLARATION OF ORIGINAL WORK”

I, *Nurhidayu Bt Md Saad*, (I/C Number: *870630-04-5174*)

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.

Signature:

Date:

LETTER OF SUBMISSION

November 2010

The Head of Program

Bachelor of Business Administration (Hons) Finance

Faculty of Business Management

University Technology Mara

Campus City of Malacca

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper title “A STUDY ON DETERMINANTS OF BANK NET INTEREST MARGIN IN MALAYSIA” to fulfill the requirement as needed by the Faculty of Business Management, University Technology Mara.

Thank you

Yours sincerely,

.....

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ABSTRACT

This paper studies empirically the determinants of bank net interest margin in Malaysia from 2005 to 2009. A commercial bank that has been selected is Public Bank Berhad. Most study has follows the basic theoretical model of net interest margin proposed by Ho and Saunders (1981) and its extension proposed by Maudos and Guevara (2004) but in this study has follow the model that has modified from Kaiguo Zhou (2008) . The study also indicate the determinants of net interest margins in Malaysia include average operating costs, credit risk that measure by loan ratio and interest rates or base lending rates. According to the overall results in this study it indicates the most independent variables are the most give an impact to the net interest margin (NIM) is average operating cost (AOC). It shows a positive and significance relationship between both variables. While credit risk that measure by loan ratio has negative and significance relationship. The other independent is base lending rate, according to the result it shows a positive relationship but don't have a significance relationship with the NIM in Public Bank Berhad.

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