UNIVERSITI TEKNOLOGI MARA

INTERNAL AND EXTERNAL DETERMINANTS OF NON-PERFORMING LOANS IN MALAYAN BANKING BERHAD

MOHAMAD AZRUL AZRAF BIN MOHAMAD NOOR
2015675854

Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Finance)

Faculty of Business and Management

June 2018

AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student   :   Mohamad Azrul Azraf Bin Mohamad Noor

Student I.D. No.   :   2015675854

Programme   :   Bachelor of Business and Administration (Hons) Finance.

Faculty   :   Business and Management

Thesis   :   Internal and External Determinants of Non-Performing Loans in Malayan Banking Berhad

Signature of Student   :   Azru.

Date   :   3 June 2018

ABSTRACT

The main purpose of this paper is to determine the internal and external factors of non-performing loans in Malayan Banking Berhad over the period from 1997 to 2016. This study would like to determine how the internal factors, return on assets (ROA) and net profit margin (NPM) and external factors, gross domestic product growth (GDP), inflation rate (INF) and unemployment rate (UNEMP) influence the level of non-performing loans in Malayan Banking Berhad specifically. To obtain the results, regression analysis was applied with NPL to stated independent variables. Empirical results of regression shows that only unemployment rate is statistically significant with the NPL while the other factors, return on assets, net profit margin, gross domestic product growth and inflation are statistically insignificant which are contrary to the study expectation. Even though, most of the predictor variables' regression result are insignificant, those results are normal as the findings from the previous researchers conclude the same result as stated. The findings of the previous researchers are referred as the guidelines in determining the type of independent variables to be included. Then, some comparisons between the current regression result and previous findings are done in order to ensure that those results are significant and accurate.

ACKNOWLEDGEMENT

Assalamualaikum w.b.t,

First and foremost, I would like to take this opportunity to express thousands of thanks to my supervisor, Miss Maizura Binti Mohd Isa for all the precious advice and guidance provided. Her patience in guiding and motivating me in this project has contributed greatly to the success of this project. Besides, my appreciation goes to Coordinator of Thesis, Madam Nur Liyana Binti Mohamed Yousup for approval my thesis topic and guidance for making this thesis. I would like also to give my thanks to the authorities of Universiti Teknologi Mara (UiTM) Johor for the good facilities and study environment provided throughout the completion of this project.

The guidance and support received from all the members who contributed and who are contributing to this thesis was vital for the success of the study. Finally, an honourable mention goes to my families and friends for their understandings and supports on me in every trial that came my way.

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