

UNIVERSITI TEKNOLOGI MARA

**FACTORS AFFECTING THE LENDING RATE: A
CASE OF BANKING SECTOR IN MALAYSIA.**

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
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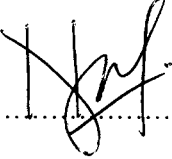
June 2018

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.

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ABSTRACT

The variation of lending rate of the commercial banks in Malaysia has been the main issue when the customers are considering about having a loan. There were factors that influencing the determination of lending rate for commercial banks in Malaysia. The main objective of this study is to determine the relationship between inner factors and lending rate of commercial banks in Malaysia. This study use panel data method. The period of the study is for 3 years specifically for the year of 2015 to 2017. This study is conducted by using annual data basis for 10 commercial banks in Malaysia. The sample data were sourced from annual financial report for each of the commercial banks. Commercial banks which will be the sample in this study is Affin Bank Bhd, Alliance Bank Malaysia Bhd, AmBank(M) Bhd, Citibank Bhd, CIMB Bank Bhd, Hong Leong Bank Bhd, HSBC Bank Malaysia Bhd, OCBC Bank (Malaysia) Bhd, Public Bank Bhd and RHB Bank Bhd. In this study, lending rate is the dependent variable. To measure the relationship towards determination of lending rate, capital adequacy, management efficiency, liquidity, loan to asset and deposit to asset ratio has been selected as the independent variables. From this study, loan to asset and deposit to asset ratio are expected to have the negative significant relationship with lending rate which indicates that both of the ratio have an inverse relationship with lending rate. Liquidity ratio are expected to have a positive significant relationship towards lending rate.

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