



**A STUDY ON THE DETERMINANTS OF NET INTEREST MARGIN IN
PUBLIC BANK BERHAD**

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APRIL 2011

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

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“DECLARATION OF ORIGINAL WORK”

I, *Naziha Rifhan Bt Mat Ali*, (I/C Number: 870409-29-5254)

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

26 APRIL 2011

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 THE DETERMINANTS OF NET INTEREST MARGIN IN PUBLIC BANK BERHAD" to fulfill the requirement as needed by the Faculty of Business Management, University Technology Mara.

Thank you

Yours sincerely,

.....

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Bachelor of Business Administration (Hons) Finance

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ABSTRACT

This paper studies on determinants of bank net interest margin (NIM) of Public Bank Berhad from 2001 until 2010. 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). The scope of the study only focuses on determinants net interest margin which are average operating cost, loan ratio and inflation rate. The Multiple Linear Regression Model is use to investigate the relationship between net interest margin with the average operating cost, loan ration and inflation rate by using SPSS Software. According to the overall result 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 significant relationship between NIM and AOC. While loan ratio has negative relationship and inflation rate has positive relationship but both don't have a significance relationship with the NIM in Public Bank Berhad.