

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF CREDIT RISK
MANAGEMENT ON FINANCIAL
PERFORMANCES OF BANKS
IN MALAYSIA**

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Thesis submitted in the fulfillment
of the requirement for the degree of
**Bachelor of Business Administration
(Hons) (Investment Management)**

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**BACHELOR OF BUSINESS ADMINISTRATION (HONS)
INVESTMENT MANAGEMENT
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

DECLARATION OF ORIGINAL WORK

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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.

Signature: _____

Date: 09/07/2017

LETTER OF SUBMISSION

6th June 2017

Miss Nurulashikin Romli
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Dear Madam,

SUBMISSION OF PROJECT PAPER INV 667

Attached is the project paper titled "**THE IMPACTS OF CREDIT RISK MANAGEMENT ON FINANCIAL PERFORMANCES OF BANKS IN MALAYSIA**" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.
Thank you.

Yours sincerely,



.....
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ABSTRACT

This study examines the impact of credit risk management on financial performances of banks in Malaysia. This project paper is carried out to providing better understanding in order to determine a credit risk indicator that affects banks financial performances. The sample used in this study involved 12 banks in Malaysia for a period of 5 years. The variable that be used under this research include return on assets (ROA) as dependent variable (DV) and the independent variable (IV) which are non-performing loan (NPL), capital adequacy ratio (CAR) and bank size (BS). The period for this study is from 2011 until 2015 and the data were collected on Bankscope and research was conducted by using panel data. The tests that are used in this research are Descriptive Analysis, Unit Root Test, Covariance Analysis and Regression Analysis. Furthermore, there are other test involved which is Normality test, Auto correlation Test, and Multicollinearity Test. The test will be done between dependent and independent variable. As a result, the study concluded that the credit risk which is measured by non-performing loan are significant in explaining the profitability of the bank while capital adequacy ratio and bank size has no significant impacts on banks performances.

Keyword: Return on Asset, Non-Performing Loan, Capital Adequacy Ratio, Bank Size, Credit Risk Management

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