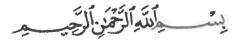# FACTORS AFFECTING NON-PERFORMING LOANS IN MALAYSIAN BANKING SECTOR

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Submitted in Fulfillment of the
Requirement for the
Bachelor of Business Administration with Honours (Finance)

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JULY 2020

ACKNOWLEDGEMENT

بِسْمِ اللَّهِ الرَّحْمَٰنِ الرَّحِيمِ

ABSTRACT

All over the world financial institutions face massive risk on non-performing loans. As a result of the foregoing, financial institutions are obliged to review their lending policies. However, its nonpayment also leads to incidence of huge loss on banks in particular and country in general. Non-performing credits (NPL) is an overall issue that influences budgetary markets dependability as a rule and banking industry suitability specifically. In recent decades, financial crises in various countries have often been preceded by the rise in non-performing loans (NPLs) in the banks asset portfolios. The increase in NPLs is proven to have adverse impact on the banking sector so that understanding the determinant of NPLs is immensely crucial to ensure the efficiency and soundness of the overall economy. This research will study the factors affecting the non-performing loan in Malaysian banking sectors. Through this research, the researcher can examine the relationships between the dependent variable, non-performing loan and independent variables, bank interest rate, inflation rate, unemployment rate. The research uses secondary data collected from the financial statement and data stream, and applies Correlation Test, Descriptive Analysis, Normality Test and Regression Analysis. Through this research, the researcher can conclude the findings and correlation between factors affecting the non-performing loans in Malaysian banking sectors.

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