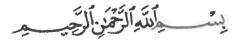
# FACTORS AFFECTING NON-PERFORMING LOANS IN MALAYSIAN BANKING SECTOR

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

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### **ACKNOWLEDGEMENT**



I wish to acknowledge the contribution of many people who have in one way or another made this research a reality.

My greatest appreciation goes to my advisor Madam Suhana Binti Mohamed Lecturer of Finance, for guidance and support throughout the whole research. Her patient and advices ensured this thesis to be on the right track and proceed smoothly. I sincerely appreciate what he had done to guide me.

Most importantly, none of this could have happened without my beloved family, friends and course mates, for their helpful suggestions, advices and moral support throughout the time of completing my industrial training and report paper

Last but not least, I would like to thank to those who have helped me either directly or indirectly, throughout the completion of my industrial training and this report. It would not have been possible without them. All of contribution and mankind was mostly appreciated. Thank you.

#### **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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Multicollinearity Test

Ramsey

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