



**MACROECONOMIC FACTORS THAT AFFECT  
THE NON PERFORMING LOANS: A STUDY OF  
ASEAN COUNTRIES**

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## ABSTRACT

The financial crisis of 2007–2008, also known as the Global Financial Crisis and it is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s. It resulted in the threat of total collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets and an increasing thenonperforming loan rate among banks around the world. Nonperforming Loans (NPLs) began to rise as declining finances of distressed borrowers and increase the interest rates and directly affect borrowers' ability to service loan.

In addition, the collapse of financial and property asset values substantially reduced the value of the collateral for many bank loans. As a result, most financial institutions experienced declining in profits. The financial institutions' capital base was affected by increased losses from loan defaults, thus requiring them to seek re-capitalization.

This paper aims at finding out the determinants of Macroeconomic Variables to the Non Performing Loan (NPLs); a study of Asean Countries. A non-performing loan is a loan that is in default or close to being in default. The variables considered are Gross Domestic Product (GDP), Inflation Rate (IR), Base Lending Rate (BLR), Unemployment Rate (UR), Money Supply (M2) and Real Interest Rate (RIR). All relevant variables data is collected from World Bank Data. The data is collected from year 2000–2008 and the sample is selected from four Asean countries which are Malaysia, Singapore, Indonesia and Thailand.

The data for this study is in form Panel Data. This research will be using multiple linear regression method. The results of this research paper would provide us with an indicative view and could form an important basis for investors and policy makers in their investment strategies and policy decisions respectively

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