



**PREDICTING BANK CREDIT RISK: EVIDENCE FROM
FINANCIAL INDUSTRIES**

**NURHAFIZAH BINTI MUKTAR
2014827796**

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

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ABSTRACT

This study examine the relationship between the key factors affecting credit risk toward bank credit risk and identify the effect of the internal factor of the bank towards the banks credit risk. The dependent variable of this study is banks credit risk and independent variables are size of the bank (LNTA), leverage (LEV), management efficiency (MGT), regulatory capital (REGCAP), loan loss provision (LNLLP) and loan to deposit ratio (LD). The sample of the study consists of Malaysian top 5 largest banks by total asset. The period covered from 2000 until 2014. This study used quantitative secondary data which is panel data and multiple regression models represented by the ordinary least squares (OLS) as the technique to look the relationship and the effect of the independent variables toward dependent variable. The results from the study reveal that size of the bank, management efficiency and regulatory capital is negatively related to banks credit risk. While leverage, loan loss provision and loan to deposit is positively related to banks credit risk. All the independent variables are significantly affect the banks credit risk where banks credit risk is affected by the size of the bank, leverage, management efficiency, regulatory capital, loan loss provision and loan to deposits.

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CHAPTER 1: INTRODUCTION

1.0 Introduction

This chapter will be discuss the background of study, problem statement, research question, research objective, research question, significant of study and scope of study. This paper focuses the relationship between banks credit risk and selected key factors that may influence the bank credit risk for five (5) difference bank in Malaysia with difference total asset. In background of study, this research will discuss about dependent and independent variables. Dependent variable in my study is bank credit risk and the independent variables are total asset, leverage ratio, management efficiency, regulatory capital, broad size and loan loss provisioning behavior. This paper will discuss the gap of the problem in my research in problem statement.

The research question in this chapter will discuss about the question related to the theoretical framework in this research. There are two types of research question which are the main research question and the specific research question. The main research question is related to independent variable that is the important or basic research in this study. The specific research question is the supportive of the main research question. Moreover, research objective one of the important element in this study. In this chapter, this research will also give the information about vital of study for all parties such as researcher, future researcher and general. It will be covered in significant of study.