

THE IMPACT OF MACROECONOMIC VARIABLES TOWARD ISLAMIC PERSONAL FINANCING

SITI NOR ADILAH BT HANAN

A graduation Exercise Submitted to the Faculty of Business
Management Universiti Teknologi MARA, (Terengganu), Dungun
Terengganu as a partial Fulfillment of the requirement for Bachelor
of Business Administration (Hons) Islamic Banking

JULY, 2013

ACKNOWLEDGEMENT

Syukur Alhamdulillah. Praise be to Allah S.W.T for giving me the strength and commitment to complete this study. Without the blessing and help from Allah, this study would not have been possible. I am proudly to express my greatest appreciation to my respectable advisor, Miss Nur Azwani binti Mohamed Azmin for giving me a lot of guidance and moral support as well as comment and suggestion in process of completing this research from the beginning and had given sense of direction of this paper requires.

I would also like to express my appreciation and thanks to Miss Nur Hayati bt Abd Rahman, for spending her time advising, giving comment and providing a lot of valuable information for me in preparing this thesis.

Special thanks to all of staff of Bank Rakyat branch Kubang Kerian, Kelantan, especially to my supervisor, Mr Zulkifli bin Bahudin and Mr Noorazi bin Mohamed Noor, for the kindness of accepting me and giving a valuable industrial experiences as well as the support and important information regarding this study.

My special thanks and great appreciation also to my family, especially my parents, for their support, love and concern throughout this difficult and demanding without this, the completion of this study would have been much harder.

Last but not least, my thanks to my colleagues for all their suggestion, advice, support and encouragement. This paper involved many long hours of hard work, sleepless nights, and personal sacrifices. Their contribution truly appreciated and will be remembered.

TABLE OF CONTENT

	PAGES
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	v
LIST OF FIGURES	vi
LIST OF ABBRIVIATION	vii
LIST OF DEFINITION OF TERMS	viii
ABSTRACT	ix
CHAPTER 1: INTRODUCTION	1
1.0 Background of study	3
1.1 Scope of study	6
1.2 Problem statement	6
1.3 Research question	7
1.4 Objective of the study	7
1.5 Significant of the study	8
1.5.1 Researcher	8
1.5.2 University	8
1.5.3 Bankers	8
1.6 Limitation of the study	9
1.6.1 Accuracy of the study	9
1.6.2 Availability of data	9
1.7 Definition of term	9
1.7.1 Macroeconomic	9
1.7.2 Inflation	10
1.7.3 Personal financing	10

1.7.4 Interest rate	10
1.7.5 Industrial production	10
CHAPTER 2: LITERATURE REVIEW	11
2.0 Introduction	11
2.1 Literature review	11
2.2.1 Industrial production	11
2.2.2 Interest rate	12
2.2.3 Inflation	13
CHAPTER 3: RESEARCH METHODOLOGY	15
3.0 Introduction	15
3.1 Data collection and sources	15
3.2 Theoretical model	15
3.3 Descriptive statistic	16
3.4 Preliminary test	16
3.5 Stationarity test	16
3.6 Lag length determination	17
3.7 Cointegration relation	17
3.8 Vector error correction model (VECM)	17
CHAPTER 4: RESULT AND DISCUSSION	19
4.0 Introduction	19
4.1 Descriptive statistic	19
4.2 Preliminary test	19
4.3 Stationarity test	20
4.4 Estimated result	22
4.4.1 Interest rate and total financing apply	23

ABSTRACT

This study aims to examine the dynamic relationship of the impact of macroeconomic variables toward Islamic personal financing for the case of Bank Rakyat Kubang Kerian during the period of January 2010 until December 2012 using time series framework. This study is including several control variables such as interest rate, inflation and industrial production. The stationary between variable are examine using *Augmented dickey-fuller* while the relationship between variable are tested using regression at preliminary test. Furthermore, the study shows that interest rate have negative relationship with dependent variable, while inflation has positive relationship with dependent variable. However, the existing of industrial production insignificantly affect total loan apply. Hence, it's recommended that bankers need to be aware with the changes on conventional interest rate and inflation because the occurrence of this may affect the demand for financing.