



**THE DETERMINANT OF LENDING RATE  
FOCUSING ON BANK LISTED IN BURSA  
MALAYSIA**

**SITI NUR NADIRAH BINTI MEOR SHAHIRI**

**2016340717**

**BACHELOR OF BUSINESS ADMINISTRATION  
WITH HONOURS (FINANCE)  
FACULTY OF BUSINESS MANAGEMENT**

**JULY 2019**

# CONTENTS

Declaration of original work .....	i
Letter of submission .....	ii
List of figures .....	iii
List of table .....	iv
List of abbreviations .....	v
Acknowledgement .....	vi
Abstract .....	vii
<b>INTRODUCTION .....</b>	<b>1</b>
<b>1.1 Introduction .....</b>	<b>1</b>
<b>1.2 Research Background.....</b>	<b>3</b>
<b>1.3 Problem Statement .....</b>	<b>6</b>
<b>1.4 Research Questions .....</b>	<b>8</b>
<b>1.5 Research Objectives .....</b>	<b>8</b>
1.5.1 Main objectives: .....	8
1.5.2 Specific Objective:.....	8
<b>1.6 Scope of Study .....</b>	<b>9</b>
<b>1.7 Significant of Study .....</b>	<b>10</b>
<b>1.8 Limitation of the Study .....</b>	<b>11</b>
<b>1.9 Operational Definition .....</b>	<b>12</b>
1.9.1 Lending rate .....	12
1.9.2 Bank size .....	12
1.9.3 Non-performing loan (NPL) .....	12
1.9.4 Return on asset (ROA) .....	12
1.9.5 Loan loss provision (LLP) .....	12
<b>LITERATURE REVIEW .....</b>	<b>13</b>
<b>2.1 Introduction .....</b>	<b>13</b>
<b>2.2 Literature Review.....</b>	<b>13</b>
2.2.1 Bank Size .....	13
2.2.2 Non-performing Loan (NPL) .....	14
2.2.3 Return On Asset (ROA).....	15
2.2.4 Loan Loss Provision (LLP).....	15
<b>RESEARCH METHODOLOGY.....</b>	<b>17</b>
<b>3.1 Introduction .....</b>	<b>17</b>

3.2 Sample of Study .....	17
3.3 Research Design .....	18
3.4 Theoretical Framework .....	19
3.5 Hypothesis .....	20
3.6 Variable Description .....	21
3.6.1 Lending Rate .....	21
3.6.2 Bank size .....	21
3.6.3 Non-performing loan .....	21
3.6.4 Return on asset (ROA) .....	21
3.6.5 Loan loss provision (LLP) .....	21
3.7 Data Collection Method .....	22
3.8 Data Analysis .....	23
<b>DATA ANALYSIS AND INTERPRETATION .....</b>	<b>26</b>
4.1 Introduction .....	26
4.2 Descriptive Analysis .....	26
4.3 Pearson Correlation .....	29
4.4 Pooled OLS Regression Model .....	30
4.5 Multicollinearity Test .....	32
4.6 Heteroscedasticity Test .....	32
4.7 Breush Pagan Test (BP) .....	33
4.8 Random Effect Model .....	34
4.9 Hausman Fixed Test .....	35
4.10 Final Estimation Model .....	36
4.11 Result Analysis .....	36
<b>CONCLUSION AND RECOMMENDATION .....</b>	<b>38</b>
5.1 Introduction .....	38
5.2 Conclusion .....	38
5.3 Recommendation .....	39

## **ACKNOWLEDGEMENT**

I am very grateful that I have been complete this final year project paper by assistance of many parties. Therefore, I would like to convey my thankful and much appreciation to those parties who had involve in order to complete this final year project paper.

Firstly, I would like to convey my heartfelt thankfulness to my best supervisors, Madam Zuraida Binti Mohamad and Dr. Noorhayati Yusof Ali. The inspiration from her are really helps me along the way of doing this project paper. She also very dedicated on helping when I have difficulties for this project paper. She also clearly give the guidelines and direction for doing thus project paper properly in order to get the good marks. Hence, this project paper cannot be done and complete without her valuable time, effort and the best supports from both.

Besides, I would like to show my warmness thanks to my family, friends and also my classmates who had given me a lot of support along completing this project paper. Although, their support systems would be the best spirit for this project paper.

Last but not least, I would like to thankful to my supervisor at the place that I currently complete my internship. Which are gave me some time to do my project paper. Moreover, I am very thankful to those who had directly and indirectly involved and give support and helps me to complete this project paper.

## **ABSTRACT**

The purpose of this study is to examine the determinant of lending rate by focusing on the bank listed in Bursa Malaysia. The four independent variables are bank size, return on asset, non-performing loan and loan loss provision. Lending rate are measure in term of income of interest. Which are the income that bank will generate from loan activity. The duration of this study is from 1998 to 2017 and it is collected on the commercial bank annual report by yearly and data from Thompson Reutes Eikon.

This research study, the researcher used microeconomic factor as the independent variables for the commercial bank that are listed in Bursa Malaysia which consist of 7 banks.

This research study does not have any problem of multicollinearity and heteroscedasticity. Moreover, as the final result, the researcher used Random Effect Model in order to get the final result of the study. The result indicates that, lending rate have a significant relationship with bank size, return on asset and non-performing loan.