



UNIVERSITI TEKNOLOGI MARA

**THE MACROECONOMIC
DETERMINANTS OF
NON-PERFORMING LOANS ACROSS
ASIAN COUNTRIES**

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Thesis submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Hons) Finance

Faculty of Business and Management

July 2017

ABSTRACT

The purpose of this research is to identify the macroeconomic determinants of non-performing loans (NPL) across Asian countries; Indonesia, Korea, Malaysia, Philippines and Thailand. NPL is a continuing issue that every country concerns. If the NPL problem is not well-managed, it would lead to cost inefficiency, bank failure or even financial crisis. This study is essential to outline the determinants that might give impact to NPLs. This study is conducted using panel data collected from 1998 until 2016. The independent variables of this study are gross domestic product, unemployment, inflation, real interest rate, exchange rate and lending interest rate. The data is analyzed using Ordinary Least Square (OLS). The result shows that lending interest rate and exchange rate have significant relationship towards NPL in Asian countries. For diagnostic checking, a number of tests were run to examine the problems in the regression model formed. As a result, the data set is found to be not normally distributed and the problems of heteroscedasticity as well as autocorrelation are being detected.

ACKNOWLEDGEMENT

Alhamdulillah, thanks to ALLAH S.W.T, the Most Gracious and the Most Merciful for giving me strength on successfully completing this project paper. All the praises and thanks to Him for giving me the times, wills, guidance and strengths during the period of this project. This project paper will not successfully complete without cooperation from many parties. They have contributes a lots in preparing this project paper. I am thankful to many people who provide me the kind assistance or had contributed immensely to the success completion of this project paper in due time.

My gratitude and thanks go to my advisor, Madam Yuslizawati Mohd Yusoff and co-advisor, Madam Zahirah Hamid Ghul for the support, patience and ideas in assisting me with this project. Special thanks dedicated to the staff of Universiti Teknologi MARA Cawangan Johor, Kampus Segamat as well as my fellow classmates and friends for their helps, concerns, morals and materials support. I would like to grab this opportunity to express my deepest appreciation for those who had contributed a great deal towards the completion of this project paper. I have learnt much about this subject. I wish to extend my appreciation to my family, especially to my parents for their moral support in completion this project paper. In conclusion, I am grateful to ALLAH S.W.T for his guidance and the continuous good health and wealth which without His blessed I might have not complete this project paper. Alhamdulillah.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter will discuss about background of the study, problem statement, research question, research objective, significance of study, scope of study and definition of terms. This research will focus on investigating the macroeconomic determinants of non-performing loans across Asian countries. In background of the study, several cases including development of cases on non-performing loans will be discussed. Problem statement will cover on the brief description of the issues on non-performing loans in Asia that need to be addressed. Next is about the research question of this study. The research question will be related to the theoretical framework in this research. Other than that, research objective also is the one important element in this chapter. Significance of study will discuss on how this study will benefit certain parties. Finally, an important keyword will be defined and explained in the definition of terms.