

**A DISSERTATION SUBMITTED TO DEPARTMENT OF
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MARA INSTITUTE OF TECHNOLOGY IN FULFILLMENT OF
THE REQUIREMENT FOR THE BACHELOR OF BUSINESS
ADMINISTRATION (HONS) FINANCE**

**THE STUDY OF THE RESPONSIVENESS OF THE BANK
LOAN RATE TO CHANGES IN SRR, INTER BANK RATE
AND INFLATION RATE**

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ABSTRACT

The implementation of the New Base Lending Rate in November 1, 1991 represent another step forward in the liberalization of interest rate regime in Malaysia. This new BLR is expected will be more responsive to money market conditions and liquidity position of the banking system and encourages them to be more efficient.

The BLR is computed on a cost plus basis which mean that banks can fully recover their actual cost plus adding a certain profit percentage margin.

In this research, three variable was identified for the analysis in order to know the relationship and determined their significant to BLR. All the variable which comprising of SRR, inter bank rate and inflation rate was tested through multiple regression.

The result of the analysis found that the changes in bank loan rate is explained by the variation in the inter bank rate, inflation rate and SRR. Based on the analysis, inter bank rate give most significant impact on the changes of bank loan rate.

It was conclude that inter bank rate play the vital role in the determining and influencing the Base Lending Rate of the financial institutions.

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