



UNIVERSITI TEKNOLOGI MARA

**BANKS' PERFORMANCE AND ECONOMIC
GROWTH IN MALAYSIA : ISLAMIC AND
CONVENTIONAL BANKS PANEL DATA**

**NURUL FARHANA BINTI NUMAN
2020957651**

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ABSTRACT

There are many indicators to indicate the economy growth. Every business sector that could have impact on economy growth. However, in this study, will be taking financial institution performance as one of the indicators. Banks are now the world's biggest financial institutions, having branches and subsidiaries in every country. banks, face risks when they operate. Therefore, in this study is to identify the interrelation between banks' performance and the economy growth of a developing economy of Malaysia. To find does the economy growth are influenced by the banks' performance. In this study is focusing on local financial institution as Listed in Bank Negara Malaysia that is 10 Islamic banks and 8 conventional banks from local financial institutions. This study will be focus on latest year starting from 2016 to 2020. This research used quantitative data since it is simple to attain its objectives and ensure the correctness of the data. For the findings section of this study will be use E-views to run all the raw data. This research has 4 variables. The first variable is dependent variable which is GDP and the independent variable of this study is bank investment, lending capacity and net interest margin. The findings of this study shows that the independent variable has insignificant relationship on dependent variable. The influence of the independent variable on GDP is low.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Economic progress and better living circumstances may be accomplished by providing a variety of services via modern financial systems. This research is conducted to identify the influence of banks' performance on economy growth. In the first chapter of this research will focus on research background, problem statement, research question, research objectives, significant of study, scope of study, limitation of study and summary. Aside from the introduction, the paper is divided into four sections. The second section contains a brief review of the literature; the third section contains the methodology; the fourth section contains the data presentation and analyses; and the fifth section contains the conclusions, policy, research of this study.

1.2 Research Background

One of the factors that contribute to the economic growth is banking sector, the basic activities provided by banks are to encourages more people to use their services such as bank deposits and other lending activities such as loan and investment lending to gain an interest (Mushtaq, 2016). This special feature contributes to the debate of how Covid-19 policy measures aided the flow of bank credit through two key mechanisms: increasing bank lending capacity and creating incentives for banks to lend. These restrictions were aimed squarely at banks and their customers. Balance-sheet capacity, for example, was increased by protecting banks' capital and promoting flexibility in loss accounting. Such prudential measures also aimed to strengthen bank resilience, which is a critical basis for lending. In consequence, fiscal and monetary policies such as loan guarantee programmes and lending funding programmes increased lending incentives by lowering banks' risks or funding costs. Balance-sheet capacity, for example, was increased by protecting banks' capital and promoting flexibility in loss accounting. Such prudential measures also aimed to strengthen bank resilience, which is a critical basis for lending. In consequence, fiscal and monetary policies such as loan guarantee programmes and lending funding programmes increased lending incentives by lowering banks' risks or funding costs. (Catherine Casanova et al.).