

DETERMINANT OF BANK LENDING RATES IN MALAYSIA

FAZAZAINIZA BINTI NOOH

2014538819

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FACULTY BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (UiTM)
KOTA KINABALU, SABAH

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TABLE OF CONTENTS

	PAGE	
TITLE PAGE	i	
DECLARATION OF ORIGINAL WORK	ii	
LETTER OF SUBMISSION	iii	
ACKNOWLEDGEMENT	iv	
TABLE OF CONTENTS	v - vii	
LIST OF FIGURES	viii	
LIST OF TABLES	ix	
LIST OF ABBREVIATIONS	x	
ABSTRACT	xi	
CHAPTER 1	INTRODUCTION	
1.0	Introduction	1
1.1	Background of Study	1
1.1.1	Global Perspectives	1--3
1.1.2	The Bank Lending Rate in Malaysia	3--8
1.2	Problem Statement	8--11
1.3	Objectives of Study	11--12
1.4	Scope of Study	12
1.5	Limitation of Study	12--13
1.6	Value of Study	13
1.6.1	Government	13
1.6.2	Management of Bank or Financial Intermediaries	13
1.6.3	Individual or researcher	14
1.7	Summary of chapter	14
CHAPTER 2	LITERATURE REVIEW	
2.0	Introduction	15
2.1	Theoretical Perspectives	15
2.1.1	Loan Pricing Theory	15--16
2.2	Empirical Evidence	16

2.2.1	Base Lending Rate	16--17
2.2.2	Non-Performing Loans	18--19
2.2.3	Inflation	19--21
2.2.4	Gross Domestic Product	21--22
2.3	Conceptual Framework	22
2.4	Summary of chapter	23

CHAPTER 3 DATA AND METHODOLOGY

3.0	Introduction	24
3.1	Data Collection	24--25
3.1.1	The Variable Measurement	25
3.1.1.1	Dependent Variable	25
3.1.1.2	Independent Variable	26--27
3.2	Methodology	27
3.2.1	Estimation Procedure	27--28
3.2.2	Descriptive Statistic	28
3.2.3	Panel Unit Root Test	29
3.2.4	Diagnostic Test	29
3.2.5	Panel Regression Model	30
3.2.6	Panel Data Model Selection	30
3.2.6.1	Breusch Pagan Lagrange Multiplier Test	30
3.2.6.1	Hausman Test	30
3.3	Flow of Research Methodology	31
3.4	Empirical Model	32--33
3.5	Summary of chapter	33

CHAPTER 4 FINDING AND ANALYSIS

4.0	Introduction	34
4.1	Descriptive Statistic Test	34--35
4.2	Stationary Test	35--36
4.3	Diagnostic Test	36
4.3.1	Multicollinearity Test	36--37
4.3.2	Heteroskedasticity Test	37--38
4.3.3	Correlation Analysis	38--40
4.4	Panel Regression Test	40
4.4.1	Panel Regression Analysis	41--46
4.5	Summary of Hypotheses Testing	47
4.6	Summary of chapter	47

ABSTRACT

The aim of this paper is to analyse the relationship between BLR and the possible determinant factors, namely; NPL, INFR and GDP, to look at which factor is has strongly significant relationship during period between 1998 until 2015 which is to examine the possible differences between BLR and the determinant factors among different types of banks (i.e. the local commercial bank, commercial bank, finance companies and merchant banks). Second objective is to understand the theoretical perspective of BLR determinants and to model and examine the theoretically and empirically identify determinant factors. To achieve the objectives of this study the regression analysis was carried out. The data used only in Malaysia. The study found that lending interest rates has positive relationship to NPL on local commercial bank in Malaysia, finance companies and merchant bank but negative relationship with commercial bank. For othe variable study found that INFR has positive relationship to lending interest rates, but negative relationship to GDP. The study recommends to do innovation in the banks itself on their operation activities, besides to support the monetary authorities.