

## THE DETERMINANT OF MACROECONOMIC VARIABLES ON NON-PERFORMING LOANS IN MALAYSIA

### NUR ASMA AMALIA BINTI NASRUDDIN 2013614054 SITI AISHAH BINTI HAMAT 2013474306

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MELAKA CITY CAMPUS

**JULY 2016** 

#### "DECLARATION OF ORIGINAL WORK"



# BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE) FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA "DECLARATION OF ORIGINAL WORK"

We,	Nur	Asma	Amalia	ı Binti	Nasruddin.
	Siti	Aishah	Binti H	<b>Hamat</b>	

and

#### Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project- paper is the result of my independent work and investigation except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:	Date:
(Nur Asma Amalia Binti Nasruddin)	
Signature:	Date:
(Siti Aishah Binti Hamat)	

#### **ACKNOWLEDGEMENT**

In the journey of prepare this project paper, numerous personalities, directly or indirectly have extended their support and co-operation. We are truly indebted to them and hereby acknowledgement their contribution.

We acknowledge our delightful thanks to our beloved advisor, **Madam Nur Hafidzah Binti Idris,** for her guidance and encourage in completing this project paper successfully. Every discussion with her during the period of completion this project was extremely useful.

We would like to express our sense of gratitude to our second examiner Madam

Rohaiza Binti Kamis for her continues support, guidance and comment. Due to her encouraging comment, we are able to improve our project paper.

We considered it is privilege to express our thanks to our family members and to our friends for their love, affection, encouragement and more important for the moral support showered on us during this entire.

#### **ABSTRACT**

This paper analyses the determinant of macroeconomic variables on non-performing loans in Malaysia. The main purpose of this study is to identify the factors that affect the non-performing loans in Malaysia. Other than that, the study is used to investigate whether there is significant relationship between macroeconomic variables with non-performing loan. Data utilized in this study spanned the period on first quarter 2006 to fourth quarter 2015.

#### TABLE OF CONTENTS

TITLE	PAGE	i
DECLA	ARATION OF ORIGINAL WORK	ii
LETTE	ER OF TRANSMITTAL	iii
ACKN	OWLEDGEMENT	V
TABLE	E OF CONTENTS	vi
LIST O	F FIGURES	viii
LIST O	F TABLES	viii
1 : In	NTRODUCTION	1
1.1	INTRODUCTION	1
1.2	BACKGROUND	3
1.3	PROBLEM STATEMENT	5
1.4	RESEARCH OBJECTIVES	6
1.5	RESEARCH QUESTIONS	6
1.6	SIGNIFICANT OF STUDY	7
1.7	SCOPE OF STUDY	8
1.8	LIMITATION OF STUDY	9
2 : L	ITERATURE REVIEW	10
2.1	INTRODUCTION	10
2.2	NON-PERFORMING LOANS (NPL)	10
2.3	ECONOMIC GROWTH	11
2.4	INFLATION RATE	12
2.5	LENDING RATE	13
2.6	MONEY SUPPLY	14
3 : R	ESEARCH METHODOLOGY	15
3.1	INTRODUCTION	15
3.2	RESEARCH DESIGN	15
3.3	DATA COLLECTION METHOD	15
3.4	DATA VARIABLES	16
3.5	THEORITICAL FRAMEWORK	17
3.6	HYPOTHESES STATEMENTS	19
3.6	Economic growth	19
3.6	5.2 Inflation rate	19
3.6	5.3 Lending rate	19