



**THE MACROECONOMIC FACTORS THAT INFLUENCE NON-PERFORMING  
LOAN ON BANKING AND FINANCIAL INSTITUTION IN MALAYSIA.**

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**2015154715**

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**JANUARY 2018**

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Submitted in Partial Fulfilment of the  
Requirement for the  
Bachelor of Business Administration with Honours (Finance)

FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITY TECHNOLOGY MARA  
MALACCA CITY

JANUARY 2018

**DECLARATION OF ORIGINAL WORK**



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MELAKA CITY CAMPUS**

**“DECLARATION OF ORIGINAL WORK”**

I, JALIS BIN MD ZAINOL, (950920055469)

Hereby, declare that:

- This work has not previously 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: \_\_\_\_\_

**LETTER OF SUBMISSION**

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MELAKA CITY CAMPUS

Sir Amirudin Mohd Nor

Dear Sir,

SUBMISSION OF PROJECT PAPER

**THE MACROECONOMIC FACTORS THAT INFLUENCE NON-PERFORMING  
LOAN ON BANKING AND FINANCIAL INSTITUTION IN MALAYSIA.**

I'm required to do a project paper on the above topic. I hereby submitted this report and I really hope that this work fulfills the requirement for the Bachelor of Business Administration Honours (Finance).

Thank you.

Sincerely,

.....

JALIS BIN MD ZAINOL

2015154715

Bachelor of Business Administration Honours (Finance)

## **ABSTRACT**

This paper studies empirically the movement of non-performing loan (NPL) on banking and financial institutions in Malaysia. The period of the research taken was in range of 10 years and use of quarterly data ranged from Q12006 to Q42015. The study will use Auto-Regressive Distributed Lag (ARDL) method to see the significant and relationships between dependent and independent variables in long run elasticity. The dependent variable of the study is the NPL. The independent variables were selected and identified namely as Gross Domestic Product (GDP), Base Lending Rate (BLR), Inflation (INF) and Household Income Distribution (HPI). The level of NPL will be affected by the macroeconomic condition in Malaysia. According to the overall results in this study it indicates the most of independent variables are given an impact to the NPL at Malaysia. However, the result of significant is conversely with previous study. The relationship implies that GDP are significant negatively towards NPL, meanwhile BLR and ID are significant positive toward NPL. But INF is insignificant negative relationship towards NPL. The result of this research will be very useful for other researchers and banking institution that aware about the movement of NPL at Malaysia.