



**THE INFLUENCE OF MACROECONOMIC FACTORS TOWARD NON-
PERFORMING LOANS IN MALAYSIA**

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MELAKA CITY CAMPUS**

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 MAHAGEMENT

UNIVERSITI TEKNOLOGI MARA

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JANUARY 2018

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
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“DECLARATION OF ORIGINAL WORK”

I, NOOR FARAHANIM BINTI ARIFFIN, (940524045120)

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

January 2018

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Dear Sir,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper title “**THE INFLUENCE OF MACROECONOMIC FACTORS TOWARD NON-PERFORMING LOANS IN MALAYSIA**” to fulfil the requirement needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank You.

Yours Sincerely,

NOOR FARAHANIM BINTI ARIFFIN

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ABSTRACT

The purpose of this study was to investigate the influence of macroeconomic factors towards non-performing loans in Malaysia. The variables used to examine the relationship with non-performing loans (NPL) were interest rate (IR), inflation rate (INF), exchange rate (EXC) and unemployment rate (UR) from the year 2006 until 2016 on quarterly basis. The aim of this study was to find out the significant or insignificant of the variables towards the NPLs. As known, NPLs can be considered as an important issue in banking system as the results of NPLs will grant a huge impact not only to the banking system but also the Malaysian economy. This paper used Ordinary Least Square Methods in order to define the statistical relationship among variables. Next, this study proceeded with other tests which were Descriptive Analysis, Diagnostic Checking, Unit Root Tests and Multiple Regression. The result indicated that the exchange rate was the only insignificant variable toward NPLs. In addition, there were no diagnostic problems such as autocorrelation problem, heteroscedasticity problem and others.

Keywords: non-performing loans (NPL), interest rate (IR), inflation rate (INF), exchange rate (EXC), unemployment rate (UR), Malaysia