



DETERMINANTS OF NON PERFORMING LOANS OF COMMERCIAL BANK
IN MALAYSIA

NUR ASYIQIN HAZIQAH BINTI MAT KAMAL

2016565513

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

JULY 2019

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITY TECHNOLOGY MARA

“DECLARATION OF ORIGINAL WORK”

I, NUR ASYIQIN HAZIQAH BINTI MAT KAMAL, (951211-11-5240)

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: _____

LETTER OF TRANSMITTAL

JULY 2019

Madam Nor Shahrina binti Mohd Rafien,
Faculty of Business Management,
Universiti Teknologi MARA
Malacca City Campus,
75300 Melaka.

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “DETERMINANTS OF NON PERFORMING
LOANS OF COMMERCIAL BANK IN MALAYSIA” to fulfil the requirement as
needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

Nur Asyiqin Haziqah Binti Mat Kamal (2016565513)

Bachelor of Business Administration (Hons) (Finance)

Table of Contents

DECLARATION OF ORIGINAL WORK.....	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGMENT.....	iv
LIST OF FIGURES.....	viii
LIST OF TABLES.....	ix
LIST OF ABBREVIATIONS	x
ABSTRACT.....	xi

CHAPTER 1: RESEARCH OVERVIEW

1.0	Introduction	1
1.1	Research Background.....	1-2
1.2	Problem Statement	2-5
1.3	Research Objective	
	1.3.1 General Objective	5
	1.3.2 Specific Objective.....	5
1.4	Research Question.....	6
1.5	Scope of Study	6-7
1.6	Significant of Study.....	7
1.7	Limitation	8
1.8	Definition of Terms	
	1.8.1 Non-Performing Loans.....	8
	1.8.2 Gross Domestic Product.....	8-9
	1.8.3 Gross National Income.....	9
	1.8.4 Inflation Rate	9
	1.8.5 Interest Rate.....	9
1.9	Conclusion	10

CHAPTER 2: LITERATURE REVIEW

2.0	Introduction	11
2.1	Theories Related to the Study.....	11
2.2	Empirical Literature	11
2.3	Review of Literature	

ABSTRACT

The purpose of the paper is to study the macroeconomics factors that affect the non-performing loans (NPLs) of the commercial bank in Malaysia. The data collected from time series data by using quarterly basis from year 2007 until 2010. The multiple linear regressions model is used to discover the significant relationship between the variables and the NPLs. The study concludes that the level of NPLs of Malaysia is affected by macroeconomic variables namely Gross Domestic Product (GDP), Gross National Income (GNI), Inflation Rate (IFR), and Interest Rate (ITR). The result implies that all the variables are significant and negatively related to NPLs except that interest rate is significant and positively related to NPLs. The result of this research is useful to assist financial institutions and the regulators such as Central Bank of Malaysia in order to minimize the negative effects of NPLs to the commercial bank.