

**UNIVERSITI TEKNOLOGI MARA
JOHOR BRANCH, SEGAMAT,
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**DETERMINANTS OF LENDING
BEHAVIOUR IN MALAYSIA**

**NUR ATIKAH BINTI MOHD LANI
2014760809**

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of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA, Johor Branch, Segamat Campus. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, Johor Branch, Segamat Campus, regulating the conduct of my study and research.

Name of Student : Nur Atikah Binti Mohd Lani

Student I.D. No. : 2014760809

Programme : Bachelor of Business Administration (Hons) Finance

Faculty : Business Management

Thesis : Determinants of Lending Behaviour In Malaysia

Signature of Student : 

Date : 21 December 2017

ABSTRACT

With the unstable economic condition in Malaysia nowadays, financial institutions have a lot of doubts as to how much lending rates they can offer because the limit is whatever the market will bear but will the market participants be able to bear? As we know, financial institutions do grant loans and advances to individuals, business organizations as well as government in order to enable them embark on investment and development activities as a mean of aiding their growth in particular or contributing toward the economic development of a country in general but this raises a question whether the objective can be achieved successfully or not. Consequently, the main objective of the study is to find out the determinants of the lending behaviour in Malaysia by using time series in Multiple Linear Regression model for empirical analysis from year 1986 to 2015. The lending behaviour in Malaysia are measured by Commercial banks and other lending in Malaysia. Besides, this research uses gross domestic product, lending interest rates, reserves requirement, inflation, exchange rates, and risk premium as the determinants for lending behaviour in Malaysia. However, the result reveals that there is only Inflation, Exchange Rates and Risk Premium has significant relationship with lending behaviour in Malaysia whereas gross domestic product, lending interest rates and reserves requirement are not significant with lending behaviour in Malaysia. Since, Malaysian economic market start going bad, we need to focus on more factors in this issue to measure the effectiveness of Malaysian monetary policy.

Keywords: Lending Behaviour, Gross Domestic Product, Lending Interest Rates, Reserves Requirement, Inflation, Exchange Rates, Risk Premium.

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