



**THE IMPACT OF CREDIT RISK MANAGEMENT ON  
BANK'S FINANCIAL PERFORMANCE – A CASE  
STUDY OF MAYBANK ISLAMIC BERHAD**

**NUR SYAHIRA BINTI MOHAMAD SHARI  
2013660668**

**BACHELOR OF BUSINESS ADMINISTRATION  
(HONS) FINANCE  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
SEGAMAT, JOHOR.**

**JUNE 2016**

## **ACKNOWLEDGEMENT**

Alhamdulillah, praise and thank to Allah the Almighty and His outmost blessing, who have granted me all these graces to complete this report. All praises are due to Allah, the Creator of humankind.

Firstly, I would like to express my earnest gratitude to my research advisor, Encik Azfar Hilmi Bin Baharudin for support and uncountable guidance. He wisdom and patience in helping me to complete the formation of Project proposal such giving me invaluable advice, writing guidance and valuable discussions grasp my respect.

Personal thanks to my beloved family for their moral, love, encouragement, support and prayers through this year. Without them, I do not even manage to complete this report.

Last but not least, I would also like to thank my fellow friends who have contributed directly and indirectly towards the completion of this report.

Thank you.

## **ABSTRACT**

This study attempts to investigate the impact of credit risk management on financial performance of Maybank Islamic Berhad. The sample used in this study are all been collected from the Maybank Islamic Berhad data only. The samples in this study are collected from financial reports of Maybank Islamic Berhad for the year 2011 until 2014 that is 31 months. Variable used for the analysis include net profit margin as the dependent variable (DV), whereas the default amount (DA), cost of fund (COF), and bad debt (BD) as the independent variables (IV). The data were analysed by using EViews 8 to do regression analysis and Pearson Correlation analysis. The finding indicates that two variables are significant in explaining the net profit margin of Maybank Islamic Berhad which are Default Amount and Cost of Fund. While Bad debt is not significant. All three of the independent variables has a negative relationship to the dependent variables which is net profit margin of Maybank Islamic Berhad.

**Keyword: Net Profit Margin, Default Amount, Cost of Fund, Bad debt, Credit Risk Management.**

## Table of Contents

TITLE PAGE .....	i
DECLARATION OF ORIGINAL WORK .....	ii
LETTER OF SUBMISSION .....	iii
ACKNOWLEDGEMENT .....	iv
ABSTRACT .....	v
1.1 Introduction.....	1
1.2 Research Background.....	3
1.2.1 Concept of Credit Risk.....	3
1.2.2 Background of Company.....	4
1.3 Problem Statement .....	7
1.4 Research Question.....	9
1.5 Objective of study .....	9
1.6 Scope of Study.....	9
1.7 Limitation of study.....	10
1.8 Significant of study .....	11
1.9 Definition of variables.....	12
1.10 Summary.....	13
CHAPTER 2: LITERATURE REVIEW.....	14
2.1 Introduction.....	14
2.2 Dependent variable.....	14
2.2.1 Profit Margin .....	14
2.3 Independent variables.....	16
2.3.1 Default Amount .....	16
2.3.2 Cost of Fund .....	17
2.3.3 Bad Debt.....	19
CHAPTER 3: RESEARCH METHODOLOGY .....	21
3.1 Introduction.....	21
3.2 Data collection .....	22
3.3 Variable .....	23
3.3.1 Dependent variable .....	23
3.3.2 Independent variable .....	23

# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

Monetary and financial stability are the main objectives of the Bank which is to promote both to the sustainable growth in the economy of Malaysia. In the development of a financial sector, bank plays the important role to ensure the financial stability in all times, focus in ensuring of the effective financial intermediation and the important part is providing or contribute for the growth and the development of economic.

There are the Financial Sector Masterplan (FSMP) which to provide the foundation for development in the financial sector. Besides that, it also to build the institutions capacity in the domestic intermediaries and including to develop the infrastructure of domestic financial. The period of this was 2001 until 2010. The next masterplan is Financial Sector Blueprint. This was released in 2011 and this was for the period of 2011 until 2020. This plan also in order to meet the growth the needs of financial of emerging Asia. This second plan will build the achievement which provide ecosystem of financial in order to be the best serve high value-added. Besides, be the high income economy of Malaysia. Blueprint will be focused on the certain area, such as economy of high income and effective intermediation, development of financial market with a deep and dynamic, be the internationalisation of Islamic finance, stability of the financial system will be safeguarding and others. The contribution of financial sector to the GDP is expected to growth in 2010 is 8.6 percent to 10 or 12 percent by 2020. While the financial sector of Malaysia have a mission to serve international, regional, domestic needs. The international needs