



**UNIVERSITI TEKNOLOGI MARA
JOHOR BRANCH, SEGAMAT, JOHOR**

**THE DETERMINANTS OF
NON-PERFORMING LOAN IN
MALAYSIA**

**SHIEDA BINTI CHE ZULKIFLI
2015115379**

Thesis submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Investment Management)**

Faculty of Business Administration

December 2017

LETTER OF SUBMISSION

21st DECEMBER 2017

Dr. Roslina Shafi
Faculty of Business Management,
University Teknologi MARA,
85009 Johor Branch, Segamat, Johor,
JOHOR DARUL TAKZIM.

Dear Madam,

Re: SUBMISSION OF THE PROJECT PAPER

With reference to above matter, enclosed here is my final year project paper entitled "The Determinants of Non-Performing Loan in Malaysia".

This report is required for the fulfilment of B.B.A (HONS) Investment Management. The objective of the study is to know the sensitivity of the selected independent variables consist of Gross domestic product, inflation rate, interest rate, return on asset and total asset of the local conventional banks in Malaysia towards the dependent variable of Non-Performing Loan in Malaysia.

Finally, I would like to take this opportunity to express my gratitude and appreciation to, Dr. Roslina Shafi as my coordinator of the project paper for the advice and guidance that have been given to me in making this research success.

Thank you,

Yours Sincerely



.....
(SHIEDA BINTI CHE ZULKIFLI)

ABSTRACT

According to Star newspaper(2016), many analysts and industry observers that negative events not effecting Malaysia banks, however concurred there are areas which would see a slight spike in nonperforming loans but it would not on the whole lead to delinquency of asset quality which could trigger a downgrade of the Malaysian banking industry. Higher number of Non-performing loan (NPL) may lead to the financial crisis due to the deterioration of loan quality in Malaysia. This research paper holds a purpose to analyse the sensitivity of nonperforming loans to macroeconomics factor in Malaysia specification on the banking sector. The variables used in this study are the profitability (PROF), bank size (BS), Interest rate (IR), inflation rate (INF) and Gross domestic product (GDP). As for the sample of this study, it comprises of 56 observations of the dependent and independent variable on a yearly basis over 5 years period from 2012 to 2016 and the data are gathered from Datastream, annual report, World bank data and Bank Negara Malaysia. There are 8 selected banks from all of 8 local conventional banks in Malaysia that are listed in Bank Negara Malaysia. There are 8 local conventional banks including the CIMB bank, MaybankBerhad, RHB Berhad, Public Bank, Hong Leong, Affin Bank, Alliance Bank and Ambank. In this study, E-view software has been used in order to analysing the data. The purpose is to observe the relationship between the variable and the dependent variable which is the nonperforming loans in Malaysia, a few tests has been conducted during this research.

ACKNOWLEDGEMENT

First and foremost I would like to express my gratitude and thank to Allah S.W.T for this blessing of opportunity to be able to undertake and finish this challenging thesis successfully. I also would like to thank and gratitude for my advisor Madam Zaibedah Zaharum and Sir Wan Muhd. Faiz. Without them, I never can finish up my thesis successfully. They help me and give me guidance towards completing my thesis.

Apart from that, special thanks to my colleagues and friends, for helping me and together facing the journey. With them the journey would much more bearable and with their morale support in achieving it together.

Finally, I would like to give my appreciation to my family members especially to my mother and siblings for be able to accommodate me and help me financially as well as transportation throughout this entire journey. Lastly my thanks to my husband, for always supporting me and giving me strength and motivation in stabilizing my emotional towards facing the journey until the end.

TABLE OF CONTENT

	Page
LETTER OF SUBMISSION	i
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v - vii
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF SYMBOLS	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE INTRODUCTION	
1.1 Introduction	1
1.2 Backgroud of the study	1 - 2
1.3 Problem Statement	3 - 4
1.4 Research Questions	5
1.4.1 Main Research Question	5
1.4.2 Specific Research Question	5
1.5 Research Objectives	5
1.5.1 Main Objective	6
1.5.2 Specific Objective	6
1.6 Significance of Study	6 - 7
1.7 Scope of Study	7 - 11
1.8 Limitation of Study	12
1.9 Definition of Key Terms	12 - 14
1.10 Summary	15