



**UNIVERSITI TEKNOLOGI MARA**

**MACROECONOMICS  
DETERMINANTS OF THE CREDIT  
RISK : THE CASE OF MALAYSIA,  
SINGAPORE AND INDONESIA**

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Thesis submitted in fulfillment of the requirements for  
the degree of

**Bachelor of Business Administration  
(Hons) Finance**

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## AUTHOR'S DECLARATION

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

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Universiti Teknologi Mara, regulating the conduct of my study and research.

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## **ABSTRACT**

Credit risk is one of the main risks that seriously affects banks' viability as evident from 1997 Asian Financial Crisis (AFC) and the recent Global Financial Crisis (GFC). Therefore, the purpose of this study is to identify the effect of macroeconomic variables on credit risk in Malaysia, Singapore and Indonesia. The sample of this study comprises data on a yearly basis over a 20 year period from 1997 to 2016. Macroeconomic factors are used as the indicator in determining the credit risk rate which is Gross Domestic Product (GDP), Inflation Rate and Unemployment rate. This study use secondary data focused on the quantitative approach. A Pooled Ordinary Least Square (OLS) model tests are conducted in EViews software to determine the result to be used in this study. All data are subjected to several empirical tests to investigate the relationship with credit risk such as descriptive analysis, correlation analysis, regression analysis and test on assumptions. Based on the result, the inflation rate is has a positive and significant relationship with credit risk while GDP and unemployment rate have an insignificant and negative relationship with credit risk.

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