



UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF LOAN LOSS PROVISION OF NON
BANK FINANCIAL INSTITUTION IN MALAYSIA

NURSARRA NAQUIYA BINTI SHAMSHIR

BACHELOR OF BUSINESS ADMINISTRATION
(FINANCE)

AUTHOR'S DECLARATION

I declare that the work in this thesis 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 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 Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


Name of Student : Nursarra Naquiya binti Shamshir

Student I.D. No. : 2017662938

Programme : Bachelor Hons of Business Administration (Finance)

Faculty : Business Management

Thesis Title : The Determinants of Loan Loss Provisions of Non-Bank Financial Institutions in Malaysia.

Signature of Student : 

Date : June 2019

ACKNOWLEDGEMENT

Foremost, I wish to count my blessings and especially thanks to Allah s.w.t. for providing me with the mental and physical faculties as well as other positive attributes perseverance to complete this task. Thus, special mentioned to my helpful advisor, Madam Norsaliza binti Abu Bakar for her guidance, supervision and her support. Her comments and suggestions greatly assist in the successful completion of the project paper.

Besides, I also want to take this opportunities to extend my appreciation to all those who have assisted in a way or another during the completion of the research paper. Sincere thanks to all my friends for their understanding, kindness and moral support during the testing time to complete this project. Last but not least, my deepest gratitude to my beloved parents for their unwavering support, invaluable assistance and sincere blessings.

Thank you.

ABSTRACT

This paper aimed at finding on the determinants of loan loss provision on non-bank financial institutions in Malaysia. Total loan is considered as the dependent variable in this study. The independent variables in this project consist of non-performing loans, interest income, loans and advances and net profit. The sample of the study comprises of 35 observations each of the independent variables and dependent variable on a yearly basis from 2012 to 2018. The methodology used for this research by using Multiple Linear Regression with the panel data. Besides, interactive software package E-view would be used for testing and analyzing the data collected. The study is an attempt to investigate the relationship of the chosen independent variables towards impacting loan loss provisions. Findings from previous research papers certain of the independent variables do have a relationship in the determinants on loan loss provisions. The outcomes of this research paper would provide with an indicative view and could form an important basis for debtor and creditor in the lending strategies and the policy decisions respectively.

The main results of the findings using the 5% of significance level, it had stated that non-performing loans and loans and advances have the correlation with the loan loss provisions. The other two variables which are interest income and net profit have the results which were greater than the 5% significance level, and it may have no relationship with the loan loss provisions and may resulted they it has failed to reject the null hypothesis.

TABLE OF CONTENTS

ACKNOWLEDGEMENT

ABSTRACT

CHAPTER ONE

1.1	INTRODUCTION.....	1-2
1.2	PROBLEM STATEMENT.....	3
1.3	RESEARCH OBJECTIVE.....	4
1.4	RESEARCH QUESTION.....	5
1.5	SCOPE OF STUDY.....	6
1.6	SIGNIFICANT OF STUDY.....	7
1.7	LIMITATIONS OF STUDY.....	8

CHAPTER TWO

2.1	INTRODUCTION.....	9
2.2	LITERATURE REVIEW ON THE DEPENDENT.....	10-17

VARIABLES THAT IMPACT THE DETERMINANTS OF THE

LOAN LOSS PROVISION

2.2.1	NON-PERFORMING LOANS.....	10-11
2.2.2	INTEREST INCOME.....	12-13
2.2.3	LOANS AND ADVANCE.....	14-15
2.2.4	NET PROFIT.....	16-17
2.3	HYPOTHESIS STATEMENTS.....	18-19
2.3.1	HYPOTHESIS ONE: NON-PERFORMING LOANS.....	18
2.3.2	HYPOTHESIS TWO: INTEREST INCOME.....	18
2.3.3	HYPOTHESIS THREE: LOANS AND ADVANCES.....	19
2.3.4	HYPOTHESIS FOUR: NET PROFIT.....	19

CHAPTER THREE

3.1	INTRODUCTION.....	20
3.2	RESEARCH DESIGN.....	21
3.3	OBJECTIVE STUDY.....	21