Nonperforming loans in Malaysia’s commercial banks: Does economic growth matters?

Normah Erra Zulkifli\textsuperscript{a}, Zuriyati Ahmad\textsuperscript{b}\textsuperscript{*}

\textsuperscript{a}Faculty of Business and Management, Universiti Teknologi MARA, Shah Alam, Malaysia.
\textsuperscript{b}Faculty of Business and Management, Universiti Teknologi MARA, Cawangan Terengganu, Malaysia.

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ABSTRACT

A loan is one of the primary sources of income earned by the banks and either directly or indirectly contributes to the country’s economic growth. Previous studies have shown that economic growth can affect the number of loans given and the changes in nonperforming loans in the banking sector. During the economic downturn, the amount of nonperforming loans tends to increase. Most borrowers were unable to settle down their loans because some businesses went insolvent and left the loans unpaid. Therefore, this paper investigates the impact of economic growth on non-performing loans in Malaysia. Seven commercial banks are selected to be used in the panel data regression, with the data spanning from 1995 to 2020. The result from the fixed-effect model indicates that the changes in economic growth are positively related to nonperforming loans. However, the impact of economic growth does not significantly influence the changes in nonperforming loans in Malaysian commercial banks. While findings also reveal that return on asset, financial crisis and unemployment rate has a significant relationship with the nonperforming loans, with the magnitude of variables being as expected.

1. Introduction

Malaysian banks had problems with the rising percentages of nonperforming loans recently, where the rate of nonperforming loans jumped to 2.8\% from 1.5\% in 2015 (The Star, 2020). Bank Negara Malaysia opine that the higher ratio of the nonperforming loan is caused by recent crises, which contributed to the tremendous pressure on banks that led to the possibility of businesses, individuals and institutions being trapped in the case of a loan default (Salim, 2020). S&P Global rating justifies that the expectation of the sector’s nonperforming loans ratio seems to increase to 3.9\% in 2021 since the condition of weak global economic climate and unemployment remain challenging in the next year. Bernama (2020) also adds that
the significant deterioration in the state of employment could weaken the creditworthiness of Malaysian banks. Based on Standard and Poor Global Rating, the credit rating of banks, which consists of Maybank, CIMB Bank, Public Bank, RHB Bank, and AmBank, has been revised, and the outlook of the bank has changed from stable to negative (Salim, 2020). It also justifies that the expectation of the sector’s nonperforming loan ratio seems to increase since the condition of a weak global economic climate and unemployment remain challenging in incoming years.

Muthami (2016) stated that economic growth and loan quality have significantly related to the business cycle phase, which can lead to the stability of the banks in the developed nation. This environment of macroeconomics can affect the assessment of the borrowers and the ability to apply for a loan. When the economy is unstable, the businesses cannot manage and maintain their profitability, thus causing the companies to cut expenses by reducing the labour force. Once this happens, the unemployment rate will increase and cause problems for the banking system. Hence, the unemployed people faced difficulty settling their debt which led to the default on loans. Therefore, economic growth is a primary indicator used in measuring the health of a country’s economy.

The rising number of nonperforming loans tends to influence the country’s banking activities and economic growth. Even though the nonperforming loans can lead to disruption in economic development, there are of several studies (Ekanayake & Azeez, 2015, Havidz & Setiawan, 2015; Aylin, 2016; Rajha, 2016; Haniifah, 2015; Ari et al., 2020; Sebastian et al., 2021) found that economic growth also can be one of the factors that affect the increasing number of nonperforming loans. It is found that during the economic downturn, the amount of nonperforming loans tends to increase due to most borrowers face the inability to settle down their loans because some businesses went insolvent and left the loans unpaid. This is because the borrowers face liquidity problems where there is no cash to settle their debt to the banks. The severity of the problem erodes confidence in banking publicly and adversely affects the banking industry through the massive accumulation of nonperforming loans. Therefore, this paper aims to investigate the impact of economic growth on non-performing loans in the case of Malaysia.

2. Literature Review

Several studies (Chijoriga, 1997; Farhan et al., 2012 and Ekanayake & Azeez, 2015) concluded that the level of nonperforming loans has a significant impact on the growth of the country’s economy. Nonetheless, many studies (Curak et al., 2013; Messai & Jouini, 2013; Haniifah, 2015; Ekanayake & Azeez, 2015; Ozilli, 2015; Havidz & Setiawan, 2015 and Aylin, 2016) stated that the volatility of economic growth also could be one of the factors that lead to the changes of amount nonperforming loans. Ekanayake and Azeez (2015), study the case of Sri Lanka’s banks. It was found that the level of bad debt in Sri Lanka’s banks had a negative magnitude and was significantly affected by the country’s economic growth. Similarly, Ozilli (2015) justified that a unit increase in GDP has the most significant impact on the level of nonperforming loans in Asia, Europe and Africa. It also indicated that the economic growth has changed the number of nonperforming loans inversely. Messai and Jouini (2013) also found the rate of growth of GDP has negative and significantly related to the impaired loan losses of banking sectors. On the contrary, Tomak (2013) and Haniifah (2015) have found that GDP growth has a negative and insignificantly impact on the level of nonperforming loans. Haniifah (2015) used Statistical Package for Social Sciences (SPSS) to discover the different findings which show the negative association and insignificantly impact of GDP growth toward nonperforming loans in the case study of Uganda commercial banks.

A few studies (Havidz & Setiawan, 2015; Curak et al., 2013; Aylin, 2016) argued a positive relationship between GDP and nonperforming loans which implies that a change in GDP will change the number of nonperforming loans at the same direction. In investigating the loan losses in Indonesia’s Islamic banks, Havid (2015) uses the term nonperforming financing (NPF) to determine the relationship between bank efficiency and non-performing financing from January 2008 to September 2014. Using the pooled ordinary least square method, the finding indicates that GDP growth significantly impacts nonperforming financing in the same direction. In examining the nonperforming loans in the Jordanian banking sector from 2008 to 2012, Rajha (2016) found that nonperforming loans is determined by GDP growth. Isaev and Masih (2017),
who conducted the research from 2010 to 2016, found that the ability to repay the loans is highly dependent on the country's economic growth. Similarly, Dushku (2016), Azeeem et al. (2017), Zeleke (2017), Radivojevic and Jovovic (2017) and Monokroussos et al. (2016) found that GDP growth has a negative and significant impact on the level of nonperforming loans. Using the method of least squares and the model is tested in advance via EViews software for basic assumptions for ten years with quarterly data, Gabeshi (2017) claimed that the GDP rate is not the critical factor that can contribute to the higher level of nonperforming loans in Albanian’s banking sectors.

Most empirical studies suggest that the banks' characteristics are closely related to the nonperforming loans in the banking sectors (Anjom & Karim, 2016; Fendi et al., 2017 Radivojevic & Jovovic, 2017). Anjom and Karim (2016) investigated the relationship between nonperforming loans and macroeconomic factors with bank characteristics in the case study on loan portfolios from SAARC countries, a perspective covering a period of 2010 to 2013. The study reveals that return on assets was negative and significantly related to nonperforming loans. The survey by Radivojevic and Jovovic (2017) used 25 samples from emerging countries that cover a period from 2000 to 2011 and found that changes in return on assets have significantly affected the number of nonperforming loans in the same direction. Using a sample from nine licensed Sri Lanka commercial banks, Ekanayake and Azeez (2015) found a similar result to Radivojevic and Jovovic (2017), which indicates a higher return on assets tend to reduce the number of bad loans in the banking sectors. Fendi et al. (2017) found that the institutional process of running a bank is becoming more efficient with excellent overall performance when it adopts prudent management. This is due efficiency of the bank that will be reflected and has a significant impact on the lower amount of nonperforming loans.

Rachman et al. (2018) stated that the more profit that a bank gets would, the less likely the bank to have a nonperforming loan for the incoming year. Contrary, Vasiliki et al. (2014) revealed that the return on assets did not show any significant relationship with the nonperforming loan ratio over throughout 2000 to 2008. Non-interest income is also used as a part of indicator in bank characteristics that eventually reflect the significant changes in nonperforming loans (Elyasiani & Wang, 2008; Awuor, 2015; Anjom & Karim, 2016; Ismail et al., 2017; Wiliams, 2016; Koju et al., 2018 and Rachman et al., 2018). Williams (2016) stated that the higher level of non-interest income contributed to the higher banks' risk. While Elyasiani and Wang (2008) argued that the higher level of non-interest income is caused by asymmetric information, which likely exposes increased risk in the banking system.

Studies found that the unemployment rate can influence the changes in nonperforming loans. Ho (2017) for example justified the higher amount of nonperforming loans in Malaysia’s banks influenced by the unemployment rate. During the economic downturn, businesses cut their costs by reducing the labour force to secure their profitability. Chai et al. (2015), Messai and Jouini (2013), Isaev and Masih (2017) and Radivojevic and Jovovic (2017) found that a change in the unemployment rate had significantly influenced the change in nonperforming loans in the same direction. In Malaysia, Chai et al. (2015) tested the data by using the ordinary least square method from January 2005 to December 2009 on monthly basis. The study revealed that the unemployment rate in Malaysia during the global financial crisis had a positive relationship and significantly impacted the number of nonperforming loans. Using the sample from 85 banks in Italy, Greece and Spain for the period from 2004 to 2008, Messai and Jouini (2013) found a similar result that implies a unit increase in unemployment will increase the level of nonperforming loans. Isaev and Masih (2017) investigated the performance of nonperforming loans in Malaysia’s Islamic banks and found a positive relationship between these variables. While Radivojevic and Jovovic (2017) tested data using panel data and found a positive and significant relationship between the unemployment rate and nonperforming loans. In the case of Italy, Foglia (2022) found an increase in unemployment implies a decrease in effective demand. This will result in a decline in wealth for households and firms, hence lower income, namely lower ability to repay debts.

Chai et al., (2015) stated that the bad economy during the Asian financial crisis was the main reason for the rising number of nonperforming loans in Malaysia’s banking sector. During the problem, the amount of nonperforming loans drastically fluctuated, which greatly impacted the loan quality of the banks. Yang (2003), Athukorala (2010), Rajha (2016) and Gabeshi (2017) stated that the financial crisis is one of the significant impacts that cause the higher ratio of nonperforming loans. Investigating the performance of 40...
commercial banks in Taiwan, Yang (2003) reveals that the nonperforming loans ratio had sharply increased. Further, Athukorala (2010) also confirmed that the ratio showed about 2% in 1997 to 12% in 1998. In evaluating nonperforming loans in the Jordanian banking sector, Rajha (2016) indicates that the global financial crisis shows a positive and significant effect on nonperforming loans. To investigate the number of nonperforming loans in Jordanian banks, this study used panel data that combines both times series and cross-section data, including 5 years and 12 banks. Based on this study, the global financial crisis showed a positive and significant effect on nonperforming loans indicating the crisis led to higher nonperforming loans in Jordan. Malaysia and other Southeast Asian countries have experienced the worst financial crisis since 1997 to 1999 which caused havoc to the financial and economic stability of these countries (Lim & Goh, 2012). In line with this, Linlan (2015) also found that the crisis had associated with the number of nonperforming loans regarding Thailand and China banks.

3. Data and Methodology

This study investigates the impact of economic growth on non-performing loans in Malaysia. While other factors related are included in building the estimation model. The estimation model is derived from the Theory of Overindebtness, which explains that external shocks such as GDP, inflation, interest rate and the unemployment rate can turn the existing debt into the unmanageable loan. This theory was introduced by Braucher (2006). The estimation for the model equation is presented as follows:

\[
NPL_t = \alpha + \beta_1 GDP_t + \beta_2 UE_t + \beta_3 ROA_t + \beta_4 NII_t + \beta_5 FC_t + \varepsilon_t \tag{1}
\]

From the model equation above, the term NPL in this study refers to the dependent variable which is nonperforming loans. Where \(\beta_1, \beta_2, \beta_3, \beta_4, \) and \(\beta_5\) are coefficients of the model. Whereb, GDP, UE, ROA, NII and FC are independent variables used in the model. The term for GDP is a gross domestic product, UE is the unemployment rate, ROA is the return on assets, NII is non-interest income, FC is a financial crisis and \(\varepsilon\) means error term.

The static Panel data method is used in analysing the data. Seven commercial banks are used as a sample of the study. Data spanning from 1995 to 2020 is obtained from World Bank Data and Datastream Navigator database. Even though there are 27 commercial banks in Malaysia, only banks are selected due to insufficient data. The description for these variables is presented in Table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonperforming Loan</td>
<td>Interest and principal payments which overdue 90 days. The measurement uses in Malaysia Ringgit (MYR).</td>
<td>Datastream</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>Primary indicators are used to measure the health of a country’s economy. This variable is the growth of the gross domestic product, which is measured in percentages.</td>
<td>World Bank</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>The total of unemployed people in the workforce and measured in percentages.</td>
<td>World Bank</td>
</tr>
<tr>
<td>Return on Asset</td>
<td>A ratio of profit that the banks earned in relation to its total asset</td>
<td>Datastream</td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>Any income that banks earn from activities other than their main intermediation. This variable is measured by Ringgit Malaysia (MYR).</td>
<td>Datastream</td>
</tr>
<tr>
<td>Financial Crisis</td>
<td>A crisis occurs when the demand for money outruns the supply of cash. This study uses 1 and 0, which 1 means there is a financial crisis while there is no financial crisis for 0.</td>
<td>Dummy variable</td>
</tr>
</tbody>
</table>

Table 1. Variables Descriptions
4. Results and Discussion

The data were analysed using descriptive statistics, correlation, and panel multiple regression analysis.

Table 2. Summary of Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Observation</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL</td>
<td>181</td>
<td>1180.726</td>
<td>4859.077</td>
<td>-2848.446</td>
<td>45985.81</td>
</tr>
<tr>
<td>GDP</td>
<td>182</td>
<td>4.680341</td>
<td>3.985078</td>
<td>-7.359415</td>
<td>10.0027</td>
</tr>
<tr>
<td>UE</td>
<td>182</td>
<td>3.283231</td>
<td>0.3824921</td>
<td>2.45</td>
<td>4.504</td>
</tr>
<tr>
<td>ROA</td>
<td>165</td>
<td>1.155758</td>
<td>0.5227765</td>
<td>-2.27</td>
<td>3.3</td>
</tr>
<tr>
<td>NII</td>
<td>181</td>
<td>2475.868</td>
<td>3503.626</td>
<td>50.4</td>
<td>23841.27</td>
</tr>
<tr>
<td>FC</td>
<td>182</td>
<td>0.1538462</td>
<td>0.3617965</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 2 shows that the mean for the nonperforming loan is RM1180726 and the standard deviation is RM4859077, which is higher than the mean. This means the data on nonperforming loans is high variability.

In addition, the range for a nonperforming loan stated from the above table is from -RM2848446 to RM45985810. Moreover, GDP growth has ranged from -7.35% to the maximum value, 10%. The GDP growth shows the data is low variability since the mean value is 4.68%, which is higher than the standard deviation, 3.98%. The unemployment rate has a minimum value of about 2.45% and the maximum value is about 4.50%. The mean and standard deviation value shows 3.28% and 0.38%, respectively. The data for unemployment also indicates there is low variability since the value of the mean is higher than the standard deviation. Thus, this study figures out the ranges for return on asset (ROA) ratio from a minimum of -2.27% to a maximum of 3.30%. The data for return on asset (ROA) is low variability where the mean is higher than the standard deviation. From the table above, the non-interest rate (NII) indicates that the mean value is RM2475868, with the highest deviation of RM3503626000 from its mean value. This ratio has ranged from a minimum of RM50400 to a maximum of RM23841270, as stated in the table above.

Table 3. Correlation of Coefficient Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>NPL</th>
<th>GDP</th>
<th>UE</th>
<th>ROA</th>
<th>NII</th>
<th>FC</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>-0.3058</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UE</td>
<td>0.3536</td>
<td>-0.5785</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>-0.2176</td>
<td>0.3921</td>
<td>-0.3075</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NII</td>
<td>0.5527</td>
<td>-0.1502</td>
<td>0.2264</td>
<td>0.1198</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>FC</td>
<td>0.0316</td>
<td>-0.1780</td>
<td>-0.2371</td>
<td>0.0093</td>
<td>-0.1756</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

Table 3 presents the correlation of coefficient analysis related to the dependent and independent variables. This table shows the correlation between nonperforming loans with the determinants of GDP, unemployment rate, return on asset, non-interest income and financial crisis. The correlation matrix is important since it demonstrates the strength of each variable. This correlation describes the association such as the higher the correlation, the stronger association between variables. Therefore, the table above shows that GDP and return on asset (ROA) have a negative association with NPL, which are -0.3058 and -0.2176, respectively. On the other hand, the result also stated that unemployment (UE), non-interest income (NII), financial crisis (FC) and have positive associations with NPL, which are 0.3536, 0.5527 and 0.0316, respectively.
Breusch-Pagan or Cook-Weisberg test is applied to detect heteroscedasticity. This test stated that the heteroscedasticity does not exist when the p-value is found to be 0.1872, and the value of Chi² showed 1.74% from the result provided below.

\[
\text{Chi}^2 (1) = 1.74 \\
\text{Probability} > \text{Chi}^2 = 0.1872
\]

Therefore, it can be concluded that H₀ and has no heteroscedasticity presence.

\[H₀ = \text{There is no heteroscedasticity.} \]
\[H₁ = \text{There is heteroscedasticity.}\]

The study used the Variance Inflation Factor (VIF) to detect multicollinearity.

**Table 4. Multicollinearity Test.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>1/VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>1.97</td>
<td>0.507855</td>
</tr>
<tr>
<td>UE</td>
<td>1.87</td>
<td>0.535194</td>
</tr>
<tr>
<td>FC</td>
<td>1.30</td>
<td>0.771047</td>
</tr>
<tr>
<td>ROA</td>
<td>1.26</td>
<td>0.790692</td>
</tr>
<tr>
<td>NII</td>
<td>1.14</td>
<td>0.877748</td>
</tr>
<tr>
<td>Mean VIF</td>
<td>1.51</td>
<td></td>
</tr>
</tbody>
</table>

Based on the result indicated in Table 4, the result show means VIF is 1.51, which is below 5. Thus, there is no multicollinearity.

**Table 5: Regression Results**

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>t</th>
<th>P &gt;</th>
<th>t</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.160559</td>
<td>0.99</td>
<td>0.324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>0.127352</td>
<td>0.45</td>
<td>0.651</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UE</td>
<td>0.9978758</td>
<td>3.53</td>
<td>0.001**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FC</td>
<td>0.5956776</td>
<td>2.46</td>
<td>0.015*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>-0.7630914</td>
<td>-4.58</td>
<td>0.000***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NII</td>
<td>0.3320795</td>
<td>3.62</td>
<td>0.000***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.4311</td>
<td>Probability &gt; (F-statistic)</td>
<td>0.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breusch and Pagan Lagrangian multiplier test</td>
<td>Chi² (1) = 38.79</td>
<td>Probability (0.0000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Hausman test</td>
<td>Chi² (1) = 30.61</td>
<td>Probability (0.0000)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

After following all the testing procedures, the fixed-effect model is chosen. Semi log model is used in the process. Table 5 shows the regression results of the fixed effect model. The findings showed that non-performing loans (NPL) were influenced by Gross domestic product (GDP), Unemployment rate (UE), Return on asset (ROA), Non-interest income (NII) and financial crisis (FC). The value of R square is equal to 0.4311, which implies that 43.11% of the total variation of nonperforming loans can be explained by GDP growth, unemployment rate, return on assets, non-interest income and financial crisis. In contrast, the
independent variables cannot explain the remaining values which are 56.89% due to the variable that is not included in the model.

Economic growth represented by GDP shows there is a positive sign indicating that the higher the GDP will increase the number of nonperforming loans. The magnitude follows Havizd and Setiawan (2015) and Aylin (2016), who found the number of nonperforming loans tends to rise when the country has a higher growth in the GDP. However, the result has an insignificant relationship with nonperforming loans. The insignificant finding indicates that it may cause by the smaller size sample used in this study (Hanifah, 2015). Nevertheless, the results are contrary to the previous research such as Ekanayake and Azeez (2015), Ozili (2015) and Messai and Jouini (2013). They argued that GDP growth could greatly impact the reduction of nonperforming loans. The improvement in the economy can lead to higher income for borrowers and increase the ability of borrowers to pay their debts, thus stabilising the financial sectors and economy.

For other variables, the regression result indicates a positive and significant relationship at 5% between the Unemployment rate (UE) and nonperforming loans. That shows an increase in the unemployment rate will increase the number of nonperforming loans. A higher unemployment rate tends to be a problem in paying the debt in the banking sector, thus causing a higher default in payment. This result is consistent with the study made by Chai et al. (2015), Isayev and Masih (2017), Radiivojevic and Jovovic (2017) and Hada et al. (2020) and Foglia (2022). They found unemployment rate has positively significant to the nonperforming loans. Return on asset (ROA) shows a negative and enormously significant impact between this variable with nonperforming loans. The higher ratio in return on an asset can reduce the number of nonperforming loans since the banks can cover the loan losses in the banking area. The finding is consistent those of Anjom and Karim (2015), Radiivojevic and Jovovic (2017); Fendi et al. (2017), Koju et al. (2018) and Rachman et al. (2018).

Meanwhile, the finding indicates a positive and relatively significant (10% level of significant) relationship between financial crisis (FC) and nonperforming loans. It shows that when financial crisis happens the changes in nonperforming loans will increase. In line with the study by Yang (2003), Athukorala (2010), Rajha (2016), Gabeshi (2017), Isik and Bolat (2016), Lee and Rosenkranz (2019) and Ozili (2019), these studies claimed that financial crisis is one of the significant impacts that cause the drastic increase in nonperforming loan. On the other hand, non-interest income (NII) shows there are positive with highly substantial impact on the nonperforming loans which is consistent with Awuor (2015) and Ismail et al. (2017). This depicts that as the incomes generated increase, the banks’ loans also increase because the banks create more loans when they have excess capital or alternative income over the requirement.

5. Conclusion

This paper aims to investigate the impact of economic growth on non-performing loans in the case of Malaysia. The result from the panel model reveals that economic growth has a positive relationship but insignificantly influences the nonperforming loans. It indicates that in the case of Malaysia, the change in economic growth is not the main factor in influencing the changes in the nonperforming loan. Although GDP is found to have an insignificant impact on the number of nonperforming loans, the changes in the unemployment rate and financial crisis, on the other hand, play essential roles in contributing to the higher level of problem of the nonperforming loans in Malaysian banks. Based on the finding, the monetary policy should be taken care of the problems in unemployment and the unexpected event that happen in the country. Lending policies can be changed accordingly to the macroeconomic situation in order to avoid the difficulties in nonperforming loans.

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About the Authors

Normah Erra Zulkifli, a master’s student in Business Management at Universiti Teknologi Mara, Malaysia (ORCID: http://orcid.org/0000-0003-3350-4806). Her main research activity is in the area of business management, finance, banking and economy. She has several publications on these subjects such as International Journal of Islamic and Social Sciences. She can be reached through her email at normaherrazulkifli@gmail.com

Zuriyati Ahmad, PhD is a Senior Lecturer in the Department of Economics, Faculty of Business and Management Universiti Teknologi MARA Cawangan Terengganu (ORCID: http://orcid.org/0000-0002-9789-640X). Her main research activity is in the monetary transmission mechanism and banking system. She has published widely on these subjects in publications such as the Journal of Islamic Monetary Economics and Finance, Journal of Emerging Economies & Islamic Research, International Journal of Islamic Banking, Asian Journal of Accounting and Finance, Journal of Fundamental and Applied Sciences, International Academic Research Journal of Social Science. She can be reached through his email at zuriy271@uitm.edu.my.

Authors’ contributions

Normah Erra Zulkifli carried out the research and wrote and revised the article. Authors, Normah Erra Zulkifli and Zuriyati Ahmad, conceptualised the central research idea and provided the theoretical framework. The first author, Normah Erra Zulkifli, collected the data from Datastream Navigator and delegated and arranged the raw data for the data set. After that, the process continues by analysing the data through Stata10. Zuriyati Ahmad anchored the review and revisions and approved the article submission.

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