



**FACTOR THAT AFFECT NON- PERFORMING LOAN IN MALAYSIA**

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## **ABSTRACT**

The main purpose of this study is to measure the relationship between macroeconomic variables and the non-performing loan in Malaysia.

The empirical data were collected from Bank Negara Malaysia (BNM). The paper provides empirical results that the gross domestic product (GDP), Inflation and Unemployment rate are the key determinants of non-performing loan. Besides that this paper also collect data from secondary data journal that relate with this research.

This paper also shows us the relationship between macroeconomic variable such as gross domestic product (GDP), unemployment rate, and inflation rate. These variables will determine whether it will affect the price of the house in Malaysia.

The limitations of this research are only focus only in Malaysia, and all the variables mostly conduct in Malaysia. Besides that, non-performing loan may not necessarily be influenced by the gross domestic products (GDP), unemployment rate and Inflation rate in Malaysia. Other than that is sometimes the information that gather in this paper is outdated information. Besides that, the secondary data information may be differ from one sources to another sources which is sometimes is hard to determine which data is correct. In this study also will mostly monitor the loans from the financial institution and banks only. Loan from the government are not included. The independent variable in this study also only takes the variable that can be measure such as Gross Domestic Product, unemployment rate and inflation. The other independent variable such as moral hazard, behavior of borrower and analysis by the banks to give loans are not included because this variable are not easy to measure and need a lot of time to do the research. The result is, this study not shown the fully reason why the non-performing loan happen by the borrower.

Mostly this paper will show us that changes in one or many variable above will have an effect to the non-performing loan. If this happen financial institution or banks also will effect either to give more loans or not.

This paper is useful for borrowers (consumer/ businesses) or lenders (financial institutions/ banks) to know which factors that affects to non-performing loan. This paper also

can serve the various information to the government or Bank Negara Malaysia to take corrective action due to non-performing loan.

The result from this study it shows that unemployment rate have a positive significant relationship with the non-performing loan. Besides that, gross domestic product does not have significant relationship with non-performing loan. Lastly, inflation rate in this study shows negative significant relationship with the non-performing loan.

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