

**A STUDY ON FACTORS CONTRIBUTING TO
THE NON-PERFORMING LOAN OF HIRE
PURCHASE LOAN ACCOUNT PORTFOLIO FOR
CONSUMER'S GOODS IN
SIBAH CREDIT CORPORATION (SCC).**

**HILDA TIWIN MOJINON
2004303752**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) MARKETING
FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITY TECHNOLOGY MARA**

APRIL 2008

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) MARKETING
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA

I would like to acknowledge with gratitude to all the people who have helped me directly or indirectly in completing my Project Paper. This research is part of the academic requirement for the Project Paper MKT660. I would like to record my gratitude to my supervisor and advisor Encik Hafizal Ramli whose advice and guidance throughout the semester has enabled me to complete this Project Paper on time.

My sincere appreciation and thanks to Mr. Vincent Pung, the General Manager of Sabah Credit Corporation for giving the approval to conduct this research. My special acknowledgement also goes to Mr. Jimmy Berukang, Loan Manager (Hire Purchase), all staff of Sabah Credit Corporation and respondents who has provided me the useful information.

My special thanks to Mr. David George for his kind, valuable and unlimited advice in assisting me in the completion of this Project Paper.

Last but not least, my special thanks and love to my family for their understanding, patience, support and thorough encouragement.

Signature

Date

1 MAY 2009

HILDA TIWIN MOJINUN

STUDENT ID: 2004303753

| TITLE | PAGES |
|---|-------|
| 2.1 Accounts | 14 |
| 2.2 Non-Performing Loan Accounts | 16 |
| 2.3 Provision | 15 |
| Title Page | i |
| Letter of Transmittal | ii |
| Acknowledgement | iii |
| Declaration of Original Work | iv |
| Table of Contents | v |
| List of Tables | viii |
| List of Figures | ix |
| Executive Summary | x |
| | |
| 3.1 Secondary Data | 21 |
| CHAPTER 1 Primary Data | 22 |
| | |
| 1. INTRODUCTION | 1 |
| 1.1 Topic | 1 |
| 1.2 Background | 1 |
| 1.3 Research Objectives | 8 |
| 1.4 Problem Statement | 8 |
| 1.5 Scope of Study | 9 |
| 1.6 Limitations of Study | 9 |
| 1.7 Definition of Terms | 9 |
| 4.1 Frequency and Percentage of the Respondents | 24 |
| 4.2 Result of Cross Tabulations of variables | 42 |

CHAPTER 2

2. LITERATURE REVIEW 11

2.1 Accounts 14

2.2 Non-Performing Loan Accounts 15

2.3 Provision 15

2.4 Hire Purchase Loans 16

2.5 Allowance for Non-Performing Loans (NPLs) 17

2.6 Theoretical Framework 20

CHAPTER 3

3. RESEARCH METHODOLOGY 21

3.1 Secondary Data 21

3.2 Primary Data 22

3.2.1 Research Design 22

3.2.2 Sampling 22

3.2.3 Method of Data Collection 23

3.2.4 Data Analysis and Interpretation 23

CHAPTER 4

4. FINDINGS AND DATA INTERPRETATIONS 24

4.1 Frequency and Percentage of the Respondents 24

4.2 Result of Cross Tabulations of variables 42

EXECUTIVE SUMMARY

“A loan is non-performing when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full” (IMF)

Non-Performing Loans (NPLs) are one of the indicators and factors in gauging the performance of financial institutions. In an accounting book, profits are taken off to provide the amount of NPLs hence reducing the firm actual annual taking. Therefore, contenting the NPLs to an acceptable rate would be the utmost importance and avenue for a financial firm to improve its bottom-line.

1.2 Background

Why do accounts become non-performing? The answer to this million dollars question would be the most sought for by financial institutions. This is due to the fact that this problem takes a big portion of a firm's pie compare to its name.

In contenting the NPLs, the firm concern needs to understand the actual factors contributing to loan account to become non-performing. In depth study is therefore necessary to effectively understand the correlation between anticipated contributing factors. This study would provide actual assessment on the problem the firm is facing.

When the factors contributing to the problem in hand are known, only then measures in tackling the problem can be efficiently emplaced. Prudent decisions with regard to the problem can be made when sufficient inputs are available.