DETERMINANTS OF BANK LENDING: A MALAYSIA CASE

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ABSTRAK


Hasil kajian menunjukan hanya indeks pengeluaran perindustrian mempunyai hubungan signifikan dengan jumlah pinjaman bank di Malaysia. Ini menunjukkan bahawa setiap peningkatan dalam indeks pengeluaran perindustrian akan meningkatkan pinjaman bank di Malaysia.
This study aims to analyze the relationship between the economic activities and bank loans in Malaysia. This empirical analysis of this study is to Malaysian banking institutions during the period of year 1996 until the year 2010. The total loans were used as the dependent variable. The three variables including interest rate, inflation and industrial production index as independent variables. The main objective of this study is to determine whether economic activities have a significant effect of bank lending in Malaysia.

The result indicates that only industrial production index have a significant effect to bank lending in Malaysia. This shows that as increase in industrial production index will increase the bank loans in Malaysia.
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CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

This chapter provides a brief discussion on the relationship between economic activities and bank loans. The chapter begins with the discussion about the background of the study and followed by the explanation about the problem statement in section 1.2. Section 1.3 explains the objectives of the study. While, section 1.4 discusses the research questions and section 1.5 explains the significance of the study. The scope of the study is discussed in section 1.6 and lastly section 1.7 explain the organization of the study.

1.1 Bank Lending

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses (Study mode, 2013). The basic operation of a bank is referred to as asset transformation. The bank uses customer deposits to finance loans to private persons and businesses that need money to borrow. The deposits which are an asset to the depositors are converted to loans which are an asset to the bank (Mishkin & Earkin, 2009). Furthermore, the value of the bank’s assets (loans) may drop due to borrower becomes unable or unwilling to
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