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BANK LENDING AND MACROECONOMIC VARIABLES: EMPIRICAL EVIDENCE FROM PANEL DATA

NUR AZIANI BINTI AZIZI

MASTER OF SCIENCE (BANKING) UNIVERSITY UTARA MALAYSIA DECEMBER 2016
BANK LENDING AND MACROECONOMIC VARIABLES:
EMPIRICAL EVIDENCE FROM PANEL DATA

BY
NUR AZIANI BINTI AZIZI

Thesis Submitted to
School of Economics, Finance and Banking (SEFB)
Universiti Utara Malaysia
in Partial Fulfillment of the Requirement for the Master of Science (Banking)
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(Certification of Research Paper)

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Calon untuk Ijazah Sarjana
(Candidate for the degree of)
MASTER OF SCIENCE (BANKING)

telah mengemukakan kertas penyelidikan yang bertajuk
(has presented his/her research paper of the following title)

BANK LENDING AND MACROECONOMIC VARIABLES: EMPIRICAL EVIDENCE FROM PANEL DATA

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dengan memuaskan.
(that the research paper acceptable in the form and content and that a satisfactory knowledge of the field is covered
by the dissertation).

Nama Penyelidik
(Name of Supervisor) : Dr. Sabri Nayan

Tandatangan
(Signature) : [Signature]

Tarikh
(Date) : 20 December 2016

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ABSTRAK


**Kata kunci:** pinjaman bank, pembolehubah makroekonomi, kadar faedah, pekerjaan, inflasi
ABSTRACT

The aim of this research paper is to determine the impact of macroeconomic variables towards bank lending in the G7 countries over the period 2005 to 2015. This study tests the relationship between interest rate, employment, inflation and bank lending. In this study applied the panel ordinary least square (POLS) to examine the impact macroeconomic variables on bank lending. The findings show that interest rate, employment and inflation have significant impact towards bank lending.

Keywords: Bank lending, macroeconomic variables, interest rate, employment, inflation
ACKNOWLEDGEMENT

This research paper has been successfully completed with the assistance of many authorities. I would like to take this opportunity to express my appreciation to those who assisting me to complete this research paper with advices, guidance and support. Without them, this research paper would not be able to complete.

Special thanks to my supervisor Dr. Sabri Nayan, who has patiently, guided me from not knowing anything regarding research paper yet being able to complete this research paper. He also shared his knowledge and expertise, gave me support and believed in me. This research paper would not be completed without his time, effort and support.

I would like to express a big thanks to my beloved family especially to my father Azizi bin Md Wali and to my mother Parwani binti Mohd Mukhtar who always been by my side and continuously giving support and encouragement throughout this research paper process.

I also would like to extend my thankfulness and appreciation to all my friends and everyone for the biggest supports they give to me throughout this research paper.
# TABLE OF CONTENTS

*Abstrak* ........................................................................................................................................... i  
*Abstract* .......................................................................................................................................... ii  
*Acknowledgement* ......................................................................................................................... iii  
*Table of Contents* ............................................................................................................................. iv  
*List of Tables* ................................................................................................................................... vi  
*List of Figures* .................................................................................................................................... vi

## Chapter 1 Introduction

1.1 Introduction to the Study .............................................................................................................. 1  
   1.1.0 Background of the Study ........................................................................................................ 1  
   1.1.1 Overview Bank Lending in the G7 ...................................................................................... 1  
   1.1.2 Bank Lending and Financial Intermediation ........................................................................ 2  
1.2 Problem Statement ...................................................................................................................... 4  
1.3 Research Questions ..................................................................................................................... 5  
1.4 Objectives of the Study ................................................................................................................ 6  
1.5 Scope of the Study ....................................................................................................................... 6  
1.6 Contribution of the Study ........................................................................................................... 7  
1.7 Organization of the Study ............................................................................................................ 7  
1.8 Concluding Remarks ................................................................................................................... 8

## Chapter 2 Literature Review

2.1 Introduction of the Chapter .......................................................................................................... 9  
2.2 Literature Reviews ....................................................................................................................... 9  
   2.2.1 Macroeconomic Variables and Bank Lending ................................................................. 9  
   2.2.2 Interest Rate and Bank Lending ......................................................................................... 9  
   2.2.3 Employment and Bank Lending ....................................................................................... 11  
   2.2.4 Inflation and Bank Lending ............................................................................................. 11  
2.3 Concluding Remarks .................................................................................................................. 12

## Chapter 3 Methodology

3.1 Introduction of the Chapter ......................................................................................................... 13  
3.2 Data Collection and Sample Selection ....................................................................................... 13  
   3.2.1 Panel Data ....................................................................................................................... 15  
3.3 Measurement of Variables ......................................................................................................... 15  
   3.3.1 Dependent Variable ......................................................................................................... 15
Chapter 4 Empirical Finding and Discussion

4.1 Introduction of the Chapter .................................................. 22
4.2 Descriptive Analysis ............................................................ 22
4.3 Correlation ............................................................................ 23
4.4 Diagnostic Test ...................................................................... 24
4.4.1 Multicollinearity Test ......................................................... 24
4.5 Regression Analysis ............................................................... 25
4.6 Discussion Finding ................................................................. 26
4.6.1 Interest Rate and Bank Lending ........................................ 26
4.6.2 Employment and Bank Lending ........................................ 26
4.6.3 Inflation and Bank Lending ................................................ 27
4.7 Concluding Remarks ............................................................. 28

Chapter 5 Conclusion and Recommendation

5.1 Introduction of the Chapter .................................................... 29
5.2 Summary of Findings ............................................................. 29
5.3 Implication of the Study ........................................................ 30
5.4 Limitations ............................................................................ 31
5.5 Recommendation and Future Research .................................. 32
5.6 Concluding Remarks ............................................................. 32

References .................................................................................. 33
Appendix ...................................................................................... 41
LIST OF TABLES

Table 3.1 Data Description ................................................................. 14
Table 3.2 Sampling of the Study ............................................................... 14
Table 3.3 Summary of Variables and Measurements ........................................ 17
Table 4.1 Summary of Descriptive Analysis .................................................. 22
Table 4.2 Correlation ......................................................................................... 23
Table 4.3 Multicollinearity Test ........................................................................ 24
Table 4.4 Regression Analysis (common effect) ................................................... 25
Table 4.5 Summary of Hypothesis Testing ......................................................... 27

LIST OF FIGURES

Figure 1.1 Total Bank Lending in The G7 ......................................................... 2
Figure 1.2 Process of Intermediation ................................................................. 3
Figure 3.1 Theoretical Frameworks ................................................................. 18
1.1 Introduction

This chapter provides a brief discussion on the bank lending and macroeconomic variables. The chapter begins with the discussion about the background of the study and followed by the problem statement in section 1.2. Then, explanation about the research questions in section 1.3 and in section 1.4 explains the discuss objectives of the study. While, section 1.5 discusses scope of the study and section 1.6 explains the contribution of the study. The organization of the study is discussed in section 1.7. Lastly, the conclusion of this chapter is explained in section 1.8.

1.1.0 Background of The Study

1.1.1 Overview Bank Lending In The G7

On July 2001, the list countries in G7 are Canada, France, Germany, Italy, Japan, United Kingdom and United States (Robert, 2014). As we know, the G7 countries are developed countries and have a sustainable growth. However, as the world economy recovers from the global financial crisis on 2007-2009, the revival of growth in the US, UK, Canada, Italy, Germany, France, Japan and other industrialized countries has been slow and not acted (Jorgenson, 2013). The aimed for G7 is their bank can raise capital from public and gain confident and permission from them to continue leading on household and businesses (Brown, 2014). The figure 1.1 below shows that the total of bank lending in G7 countries:
The contents of the thesis is for internal user only
REFERENCES


Keeton, R.W. (1999). Does faster loan growth lead to higher loan losses. 57-75.


APPENDIX

APPENDIX A

RELATIONSHIP BETWEEN INTEREST RATE, TOTAL EMPLOYMENT, INFLATION AND BANK LENDING

Covariance Analysis: Ordinary

Date: 10/20/16   Time: 21:49

Sample: 2005 2015

Included observations: 77

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Probability


date: 10/20/16   time: 21:49

sample: 2005 2015

included observations: 77
APPENDIX B

MULTICOLLINEARITY TEST

Variance Inflation Factors
Date: 10/20/16   Time: 21:55
Sample: 1 77
Included observations: 77

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APPENDIX C
COMMON EFFECT MODEL

Dependent Variable: LNTL
Method: Panel Least Squares
Date: 10/20/16   Time: 21:52
Sample: 2005 2015
Periods included: 11
Cross-sections included: 7
Total panel (balanced) observations: 77

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R-squared: 0.3442  Mean dependent var: 22.6131
Adjusted R-squared: 0.3173  S.D. dependent var: 2.0486
S.E. of regression: 1.6927  Akaike info criterion: 3.9411
Sum squared resid: 209.1585  Schwarz criterion: 4.0628
Log likelihood: -147.7308  Hannan-Quinn criter.: 3.9898
F-statistic: 12.7719  Durbin-Watson stat: 0.4117
Prob(F-statistic): 0.0000
APPENDIX D

RELATIONSHIP BETWEEN INTEREST RATE, TOTAL EMPLOYMENT, INFLATION, INDUSTRIAL PRODUCTION INDEX AND BANK LENDING.

Covariance Analysis: Ordinary
Date: 10/24/16   Time: 05:15
Sample: 2005 2015
Included observations: 77

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# APPENDIX E

## COMMON EFFECT MODEL

**Dependent Variable:** LNTL  
**Method:** Panel Least Squares  
**Date:** 10/24/16   **Time:** 05:16  
**Sample:** 2005 2015  
**Periods included:** 11  
**Cross-sections included:** 7  
**Total panel (balanced) observations:** 77

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- **R-squared:** 0.3466  
- **Mean dependent var:** 22.6131  
- **S.E. of regression:** 1.7012

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