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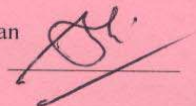
**FACTOR AFFECTING HOUSING LOAN PRICING: COMPARATIVE
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**FACTOR AFFECTING HOUSING LOAN/HOUSE
FINANCING PRICING; COMPARATIVE EVALUATION
BETWEEN CONVENTIONAL BANK AND ISLAMIC BANK**

A research project (WBZ 6019) submitted to the Faculty of Banking and Finance
in partial fulfilment of the requirements for the Master of Science (Banking),
University Utara Malaysia

By:

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ABSTRACT (MALAY VERSION)

Kebelakangan ini, permintaan terhadap rumah kediaman meningkat sejajar dengan peningkatan taraf hidup dan peningkatan penduduk. Berikutan itu, institusi kewangan di Malaysia bersaing sesama sendiri dalam menawarkan pinjaman perumahan kepada rakyat Malaysia. Oleh kerana, sistem kewangan di Malaysia terbahagi kepada dua iaitu sistem perbankan konvensional dan sistem perbankan Islam maka produk pinjaman perumahan ini juga terbahagi kepada dua.

Oleh yang demikian, disertasi ini dibuat bertujuan untuk mengkaji faktor-faktor yang diambilkira oleh bank dalam menentukan kadar faedah bagi pinjaman perumahan di Malaysia; perbandingan antara bank konvensional dan bank Islam. Margin kadar faedah bersih digunakan sebagai wakil kepada kadar faedah bagi kedua-dua bank terbabit.

Untuk mencapai objektif kajian, kaedah temuduga tertumpu dan model regresi telah digunakan. Kajian ini telah menggunakan perisian SPSS 10 bagi tujuan menganalisa data. Hasil daripada analisa yang dibuat menunjukkan terdapat 8 faktor yang dikelaskan sebagai faktor yang diambilkira oleh bank dalam menentukan kadar faedah untuk pinjaman perumahan.

ABSTRACT (ENGLISH VERSION)

Lately, the demand for housing becomes increasing due to the increasing of their life style and increasing of the population. Due to that, financial institution in Malaysia was competing each others in offering housing loan/house financing to the customer. Financial institution in Malaysia has divided into two major systems which is Conventional system and Islamic system, so, this financing also divided into two which are housing loan for conventional and house financing in Islamic. Net interest margin is using as a proxy to housing loan/house financing interest rate.

Thus, the purpose of this study is to investigate the factors considered by banks in determining housing loan/house financing price; comparative evaluation between Conventional Bank and Islamic Bank.

To achieve the objective, this dissertation employs the convergent interview and regression of the model. This dissertation have been used a SPSS version 10 as analysis technique to analyzed data. From this analysis, the result suggested that have 8 factors considered by the bank in determining housing loan/house financing price.

DEDICATION

Special dedication is goes to my parents Hashim bin Salleh and Teh binti Hashim, who give me a lot of support, love and encouragement. They also never give up giving me a strength, dream and support to move forward to final stage to finish up my dissertation and also to get my masters.

This dissertation also I dedicate to all my sisters and brothers. Thank you to all of you who really inspire me and always give me support. Without their love, patience and ideas, this dissertation would not have been possible.

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LIST OF ABBREVIATIONS

- BBCB Bumiputra Commerce Bank Berhad
- BIMB Bank Islam Malaysia Berhad
- BMMB Bank Muamalat Malaysia Berhad
- BNM Bank Negara Malaysia (lending guidelines)
- BLR Based Lending Rate
- CAR Capital Adequacy Ratio
- CPI Consumer Price Index
- GDP Gross Domestic Product
- KPKT Ministry of Housing and Local Government
- LD Loan to Deposit Ratio
- LLP Loan Loss Provision
- LNEA Log Earning Assets
- NIM Net Interest Margin/Net Income Margin
- PBB Public Bank Berhad
- RR Required Reserve
- SPSS Statistical Package for Social Science

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Malaysia has developed dual financial for a long time ago (Mohamed, 1996). In the financial system bank lending is an important role as the major source of funds and liquidity for the private sector in Malaysia (Public Bank Economic Review, 2002). As the main mobilize of funds in the economy, the banking sector is able to support the increasing financing required by business and economic activities in Malaysia.

The dual banking system in Malaysia has been divided into two major system; which are conventional banking and Islamic banking. Conventional banks are the largest and the most important group of financial institutions in Malaysia. Financial services provided by the commercial banks have enabled them to mobilize idle funds and savings, as well as, effectively channel these resources for the production of goods and services.

Generally loans are channeled in 11 economic sectors. There are agriculture, mining and quarrying, manufacturing, electricity, general commerce, building and construction, real estate, housing, transport, storage and communications, financing, insurance and business services, and miscellaneous. Among these

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