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FACTORS INFLUENCING THE PERFORMANCE OF FIXED DEPOSITS AT BANK RAKYAT IN MALAYSIA

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Abstract: *Malaysia has been successful in implementing dual banking systems in their field in attracting more depositors. In the context of Islamic Banking, there are other operating institutions that conduct the modus operation using Islamic principles. One of them is Bank Rakyat which was established in 1954 under the Cooperative Ordinance 1948 and is the biggest Islamic cooperative bank in Malaysia. In the aspect of the popularity of their product schemes, the demand for products and services is well recognized especially the fixed deposit. No surprise, Bank Rakyat's 12-month fixed deposit is among the best available. Even with the higher demands, the schemes they offered are not PDIM-guaranteed. It is normal for studies to focus primarily on bank-specific variables, such as macroeconomic conditions, market structure, and institutional development, rather than demand for bank products. The purpose of this study was to find out what factors influence the performance of fixed deposits at Bank Rakyat. To date, a sample size consisting of 5 years of yearly data has been gathered and summarized for Bank Rakyat from 2016 until 2020 to the variables of the inflation rate, based on financing rate and profit rate. The data was then analyzed using multiple regression. It was revealed that the inflation rate and based financing rate are significant in determining the performance of fixed deposits while the profit rate is insignificantly related.*

Keywords: *Cooperative Bank; Profit Rate; Inflation Rate; Based Financing Rate;*

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Introduction

Banks in Malaysia provide *Islamic* cooperative banking services similar to conventional banks, with some exceptions that include general banking principles. All transactions must be not involved in any elements of *Riba* (interest), *Gharar* (risk of uncertainty), and Qimar (speculation). Since then all other banks began to offer *Islamic* financial products, by opening their own *Islamic* window. This type of banking institution has practiced a dual banking system where *Islamic* banking operates in parallel with the conventional system. Overall supervision rests on the country's central bank, Bank Negara Malaysia, which has a board of *Shariah* scholars to advise it.

Malaysia's market is flooded with companies offering investment schemes with their own style and promising high returns to investors. But people should be aware that not all investment schemes offered are safe to invest with, since many companies cheat people around after they have invested their money with them by making promises only for their own benefit. Certain companies only give great returns after people invest their money with them for a few months, then they keep quiet without any news or updates for their investors. So, people out there were advised by the government to check the background of the company and choose the company that has a license and is listed by Bank Negara Malaysia (BNM). Habanyati, (2022) defined many banking institutions today, as offering products that need their customer to make a deposit with them and after all, the bank will give the return rate to the customer. It needs customers to make saving with the bank first and wait for the return rate as agreed before. So, it seems to be safer to be involved in, saving while investing. Adhikari & Khanal, (2022) stated that savings fundamentally is about choosing between current and future consumption. Savings theories traditionally predict that current consumption is related not to current income, but to a longer-term estimate of income. A study by Unit, (2022) defines a fixed deposit as an alternative for people nowadays to participate in the investment scheme, where the return rate is guaranteed not to change for the whole of the nominated term. In addition, fixed deposits become more popular because it provides the security of knowing that return income is protected from fluctuations in investment markets (Gallati, 2022). Basically, fixed deposits may be appropriate for those who do not need immediate access to their money and looking for a competitive interest rate that is guaranteed. To date, this product got a warm welcome from customers who are interested in investment activities. As stated in Bank Rakyat concept used in fixed deposits is Tawarruq Al-Murabahah. Tawarruq concept has been applied in fixed deposit products on 24th November 2011 which was approved by the Board of Directors Meeting Bil 11/2011. Term Deposit Account-i that are based on tawarruq refers to an agreement where customers deposit their capital with the Bank, and the Bank becomes wholly responsible and liable for the management and investing of customers' deposits in *Halal* business ventures. Profits gained will be distributed accordingly, based on margins agreed upon earlier plus cost. Other *Islamic* concepts used in this product are Wa'd and Wakalah.

Background of The Organization

In Malaysia, one of the famous banks which use the *Islamic* system is Bank Rakyat which operates in 1950, also known as "Bank Koperasi Islam". Bank Rakyat was established on 28 September 1954 under the Cooperative Ordinance 1948 (known as the Cooperative Societies Act 1993). Today, Bank Rakyat is the biggest *Islamic* cooperative bank in Malaysia with assets totaling RM115.06 billion as at the end of December 2021. The transformation in 2002 of the Bank from a conventional banking system to a banking system based on Syariah has enabled the Bank to record encouraging profits year after year. For the financial year as of the end of December 2021, had recorded a pre-tax and pre-zakat profit of RM1.63 billion. Following the

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development of *Islamic* banking in 1993, Bank Rakyat converted its banking system from conventional to *Islamic*. Bank Rakyat had hired BIMB to guide its *Islamic* banking system. The first *Islamic* banking product launched at Bank Rakyat is Al-Wadiah's saving account and Al-Mudharabah investment. Due to its development, Bank Rakyat changed its name to Bank Kerjasama Rakyat Malaysia on 6th January 1973. In annual report 2021 stated, that the strategies that are used by Bank Rakyat are A, B, C, D, and E formula, which means A refers to Amanah, B refers to Bersih, C refers to cekap, D refers to discipline, and E refers to esprit de corp which bring meaning teamwork. The product offered range and customer facilities that are varied and innovative including consumer banking, commercial financing, savings, and investments as well as products of financial planning to satisfy the many demands of a wide spectrum of modern-day customers. BIMB had been a consultant to guide the *Islamic* banking system at Bank Rakyat. The first product that was launched under *Islamic* banking at Bank Rakyat is Al-Wadiah saving account and Al – Mudharabah investment account. As a result of the development, Bank Rakyat had 25% of the share in the *Islamic* banking sector as stated in the annual report. This shows Bank Rakyat achieve the target to be the best bank in the *Islamic* sector. According to Tuckman & Serrat, (2022) stated that the best 12-month FD rates up to 4.01 % p.a is gone to Bank Rakyat (Fixed Deposit). No surprises here, Bank Rakyat's Account Deposit-i Makeen is the market leader with 4.01% p.a. However, once again, the main concern is with the PIDM status. Due to the fact that Bank Rakyat is a cooperative bank, it is not covered under this explicit guarantee, and it will only receive implicit protection from the Ministry of Finance under the Development of Financial Institutions Act (DAFIA).

Therefore this study was conducted in order to determine the factor that influences the performance of fixed deposits. The issues arise from the article written by Saeed et al., (2021)stated that as Bank Rakyat is a Cooperative Bank, they are not covered under this explicit guarantee, and they will only get implicit protection from the Ministry of Finance under the Development of Financial Institution Act (DAFIA). Many people wondering about the security of their deposits in Bank Rakyat because of the PIDM issues. Since Bank Rakyat is not under PIDM and the security of its deposits is been wondering, many people still invest in the fixed deposit and trust to keep the money in it. Thus, making it the first ranking in Malaysia. Why do these situations happen? What is the essential factor that influences the customer to invest in fixed deposits? It is generally believed that the profit rate affects the performance of fixed deposits, but what about inflation and base financing rates?

The information derived from the Bank Rakyat report stated that they have come out with a product that is known as Term Deposit Account-i (Fixed Deposit) that offer great returns for their customer who are interested. The modus operandi for this product was based on *Islamic* ruling. This product was suitable for those who are fewer risk-takers, suitable people who do not need immediate access to their money and are looking for a competitive return rate that is guaranteed. This product has been introduced to ease the investor who wants to make an investment in a huge amount and identify the profit rate that will be obtained in the maturity date

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Relevant Works of Literature

Profit Rate

Profitability is the most important element in all business activities and the same goes to banking institutions. *Islamic* banking products and services are currently offered in 50 Muslim and non Muslim jurisdictions world widely. The prohibition of *Riba* (interest) is the main important factor for the establishment of the first *Islamic* bank in Malaysia, Rahim et al., (2021) believed that in order to measure the profit regardless it's from CB or IB, bank size, capital, liquidity, macroeconomic variables found to lead the result. At a later date, there are no major differences between IBs and CBs in terms of their profitability and risk features where the credit ratio is still unfavorable/ un match to profit earned.

Phan et al., (2020) discovered that a firm's profitability is positively affected by the firm's size and managerial efficiency and negatively by leverage while sales growth induces more profits for small firms but is insignificant for large ones. Bank-specific variables used in this study are overheads, bank size, deposits, reserves, and operating efficiency. The study from Al-Harbi, (2019) recommended that the bank could improve their profitability performance with an improvement in fixed deposit rate offered to their customers in order to be competitive in the era of a global world. Other than that, Alexakis et al., (2019) explain in her journal that the performance of the banks was monitored to determine the effects of fixed deposit rate and fixed deposit interest rate to the bank's performance. Besides that De Bondt, (2002) stated in his study, that the level of interest rates is one of the main determinants of savings and investment decisions. When making these decisions, euro area households and firms are mainly confronted with retail bank interest rates. In 2000, the amounts outstanding of loans to non-financial corporations of the euro area were seven times as large as debt securities. Moreover, traditionally deposits is larger than money mutual funds. Some people have their own choice whether want to invest in a fixed deposit for a short period or a long period. Each rate given is based on a different period of fixed deposit. The longer the period of investment, the higher the profit rate given, thus giving higher profit to investors Oloko et al., (2021). Furthermore, the effects of interest rate changes on financial institutions' portfolios depend on the extent and speed with which rate changes on short and long-period securities. They also depend on the proportion of an institution's assets and liabilities that are long periods rather than short periods and the speed and flexibility with which the institution can alter its revenue streams and cost of funds. For sure investor want to invest in an instrument that gives a higher profit, so the profit rate of the fixed deposit plays an important role to get attracting future investors (Nigangwa, 2020).

A previous study by Rasiah, (2010) stated that short-term asset gains occur, when the interest rates fluctuate as a result of changes in monetary policy or general economic conditions, commercial banks usually encounter a comparative change in the rate of return they earn on their assets. This occurs because banks hold many assets of relatively short maturity, and the rates booked on short-period loans fluctuate quickly when interest rates fluctuate. Indirectly, the changes in interest rate will change the rate of profit in fixed deposits positively. Thus customers will shift to other banks that give the best-fixed deposit rate. Based on the study made by Borhan, (2011) *Islamic* bank depositors are driven by the profit motive. Thus, any change in the conventional interest rate would lead to a shifting effect between *Islamic* and conventional deposits. Since *Islamic* banking gives its depositors a higher profit rate than conventional banks, why should you choose them?

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Quan et al., (2019) found that depositors discipline banks by withdrawing deposits and by requiring higher interest rates. While Kamara, (2019) said that depository corporations mainly deposit money banks, their principal objective is undertaking financial intermediation to make a profit and increase their shareholder's value. They achieve their objectives mainly by attracting deposits and investing the money in profitable investment portfolios. Other than that, Krogh et al., (2010) also point out that one of the most effective factors for deciding to deposit in the banking system is the interest rate. The interest rate in the banking system is held as investment cost from the investor's point of view and opportunity cost from the depositor's point of view. Thus, capital market forces balance interest rates. In other words, the just and correct interest rate should be determined through a market mechanism, that is, the interest rate is balanced in supply and demand conditions in proportion to the inflation rate (Mohammad Ahmadi et al., 2010).

Adelopo et al., (2018) economists mainly conventional ones, believe that depositors are attracted to deposit their money in banks because of the opportunity cost of holding cash in hand is high when the interest rate is also high. Previously Athukorala & Sen, (2004) said that this can easily be explained by the utility maximization (cost minimization) premise, as a depositor will choose an action that will maximize their welfare or satisfaction. Saving, according to Classical economists, is a function of the rate of interest. The higher the rate of interest, the more money will be saved, since at higher interest rates people will be more willing to forgo present consumption. Based on utility maximization, the rate of interest is also at the center of modern theories of consumer behavior, given the present value of lifetime resources. For a net saver, an increase in the rate of interest will have an overall effect composed of two partial effects: an income effect leading to an increase in current consumption and a substitution effect leading to a reduction in current consumption.

Inflation Rate

Balcilar et al., (2022) defined inflation is the rate at which the general level of prices for goods and services is rising in the economy over time. Inflation erodes the purchasing power of consumers because we buy fewer goods and services with each unit of currency. The relationship is depending on whether the inflation rate is anticipated or unanticipated. If the inflation rate is anticipated, banks can adjust interest rates timely. As a result, the revenues increase faster than costs and consequently record a positive impact on profitability. On other hand, if the inflation rate is unanticipated, banks cannot adjust the interest rates immediately and the cost will be higher than revenue. This will have a negative impact on profitability. Generally, the profitability of the bank is derived from the interest rate on loans from customers, the loan provided to the customer is coming from a cycle of depositors' money thus indirectly fixed deposits generate profit for the bank. Gemedu, (2012) concluded that during inflation, the Central bank can raise the cost of borrowing and reduce the credit-creating capacity of commercial banks. This will make borrowing more costly than before and thereby the demand for funds will be reduced. Similarly, with a reduction in their credit-creating capacity, the banks will be more cautious in their lending policies. Since the bank's demand for funds decreases obviously, the deposits will decrease. These two things must have a positive relationship.

Moreover, Rasiah, D. (2010) explains that the effect of inflation on bank performance depends on whether the inflation is anticipated. If inflation is fully anticipated, then all interest rates will rise. Hence, the real value of all assets and liabilities except the bank's demand deposits and reserves will remain unchanged. Demand deposits net of reserves will however decrease in value as prices rise (Quan et al., 2019). Thus, the liabilities of the bank will fall in real terms

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and the bank becomes more profitable. Gemedu, (2012) divides factors affecting commercial banks' deposits into two namely exogenous and endogenous factors. Exogenous factors are the factors that are not controlled by the bank and endogenous factors are factors that are controlled by the bank. Exogenous factors are further subdivided into two, i.e. country-specific factors and bank-specific factors. Country-specific factors include saving interest rate, inflation, real interest rate, population growth of the country, per capita income of the society, economic growth(as measured by real GDP), consumer price index, and shocks.

Besides that, Quan et al., (2019) bank deposits represent the most significant components of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy. Shortly, the profit rate of fixed deposits offered by a bank is related to inflation since inflation is a global issue that affects each party. Islam et al., (2019) believed inflation is one of the factors that determine commercial banks' deposits. (Islam et al., 2019) stated bank assets and liabilities are expressed in monetary terms and because these assets will normally grow in line with growth in the money supply, banks are relatively immune from the effects of inflation. In brief, monetary policy works by controlling the cost and availability of credit. During inflation, the Central bank can raise the cost of borrowing and reduce the credit-creating capacity of commercial banks. According to Islam et al., (2019) this will make borrowing more costly than before, and thereby the demand for funds will be reduced. Similarly, with a reduction in their credit-creating capacity, the banks will be more cautious in their lending policies. Since the bank's demand for funds decreases obviously, the deposits will decrease.

Memarpour et al., (2022) concluded that the banking system was affected by inflation in terms of deposit absorption and facilities grant as in developed countries negative correlation between inflation and absorbed deposits and granted facilities has been documented. However, in developing countries the opposite is true. Inflation is seen as an economic problem in developed countries in the second half of the 20th century the authors point out that inflation with affects economic growth, employment, income distribution, and wealth as well as the social and political conditions of a country can influence its entire dignity. The banking system as an important effective factor in economic performance has also been under the influence of inflation. As far as the effect of inflation on the financial sector is conceived the literature demonstrates that inflation affects the capacity of the financial sector for optimal allocating of resources. That is as the inflation rate increases, the true yield rate of money and assets decreases, therefore deposits are no longer attractive while the increase of the inflation rate has a negative effect on the performance of the financial sector through the market credits and in turn, on the performances of banks and capital markets and finally on the long term economic growth. With respect to the effect of inflation on savings, it can be mentioned that in general, all individuals who save a part of their incomes in banks are directly damaged by inflation and their assets decrease in proportion to the money value decrease. People try to change their amounts of cash and savings to more reliable and stable forms such as land, jewellery, antiques, art collections, and foreign currencies which causes to definite decrease in commercial banks' total deposits.

Base Financing Rate

Natacha Valla (2002) defines BLR (Base Lending Rate) or Base Financing Rate (BFR) in her research as the minimum interest rate calculated by financial institutions based on a certain formula. This formula takes into account the institution's cost of funds and other administrative costs. The BLR is adjusted by banks, but the rate actually is determined by Bank Negara

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Malaysia (BNM) during Monetary Policy Meetings. Base Financing Rate indirectly has a relationship with fixed deposit. There has been proved by Al-Jarhi, (2017)in his research that Malaysia's interest rate regime experienced its first significant shift towards liberalization in the late 1970s with the deposit and prime lending rates of commercial banks being freed from administrative control. Since 1983, Malaysia has seen several changes to the BLR computation, with the aim of ensuring a more responsive lending rate to changes in monetary policy. Bank Negara Malaysia would conduct its money market operations to influence this interbank rate, which in turn is linked to the BLR. The changes to the chosen interbank rate would be transmitted across the yield curve to the interbank rates of shorter and longer maturities, which would influence the banks' deposit rates and cost of funds.

Ampudia & Van den Heuvel, (2022) cited the importance of the rates on loans granted by universal institutions may depend on the cost of raising deposits rather than issuing securities. Such deposit-based funding of loan activities could imply that retail bank rates remain little responsive to market conditions once deposit rates are accounted for. On the contrary, specialized banks without branches collecting deposits would set their retail loan rates on the basis of their market-based funding. In the conclusion, deposit-funding of loan activities here means the bank uses deposits from depositors to roll the money that will be used in their financing activity. At the moment the bank gives the loan to its future borrower, they also need funds from its depositors to balance up the cycle of money in the bank and to cover the cost of the bank. How & Tsen, (2019) shows an increase in the rate of BLR will increase the cost of borrowing to customers which would turn the demand for customer financing. Thus, the demand for loan products will decrease and people go to deposit instead of taking loans since the interest rate for loans is increasing. The study concludes that because customers are profit-motivated, *Islamic* banks in the dual system are exposed to interest rate risks despite operating on interest-free principles.

Mohamed Youssef et al., (2022) explained in their research in terms of conventional loans when interest rates are rising, the base lending rate (BLR) and rates of return on deposits of the conventional bank would change accordingly to changes in the market interest rate. As a result, the profit margin of the conventional bank will not be affected. According to Felicia (2011), lending which may be on a short, medium, or long-term basis is one of the services that deposit money banks do render to their customers. In other words, banks do grant loans and advances to individuals, business organizations as well as governments in order to enable them to embark on investment and development activities as a means of aiding their growth in particular or contributing toward the economic development of a country in general. Inayat Kassam & Naghavi, (2019) stated lending practices in the world could be traced to the period of the industrial revolution which increase the pace of commercial and production activities thereby bringing about the need for large capital outlays for projects. Many captains of industry at this period were unable to meet up with the sudden upturn in financial requirements and therefore turn to the banks for assistance.

Data Analysis

The sample of the study was taken from the annual report of Bank Rakyat in Malaysia for 5 years on yearly basis from the year 2016 to 2020. This study used quantitative research because the target is to measure the factors influencing the performance of fixed deposits of Bank Rakyat. The data is selected and analyzed to examine the factors of the inflation rate, base financing rate, and profit rate. The descriptive research method is applied in order to answer the

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hypothesis using the SPSS version 26. The gathered information will be analyzed which includes the coefficient of determination, f-statistic, and Pearson correlation.

Findings and Discussions

Equation:

The Performance of Fixed Deposit = -24.632 + 0.117(IR) + 4.845(BFR) + -0.167(PR**)**

Table 1: Result for the coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-24.632	9.622		-2.560	.015
	PROFIT RATE	-.167	.100	-.446	-1.681	.102
	INFLATION RATE	.117	.027	3.460	4.319	.000
	BASE FINANCING RATE	4.845	1.083	4.256	4.474	.000

It is clearly stated that the Profit Rate (PR) has a negative relationship with The Performance of Fixed Deposits, at Bank Rakyat. Haron and Shanmugam (1995) in their work try to link the rates of profit to *Islamic* banks' deposits. Using the Pearson Correlation and First Order Autoregressive model, they find a strong negative relationship between the two variables. The insignificant value is supported by Gemedu (2012) who said that Deposit Rate (DR) had a negative insignificant effect on commercial bank's deposits. Similarly, Dr. Sudin Haron and Norafifah Ahmad (2004) points out in their research that savings or thrift deposits are designed to attract funds from customers who wish to set aside monies in anticipation of future expenditures or financial emergencies. These deposits generally pay significantly higher interest rates to customers than transaction deposits do, particularly for those deposits the customer agrees to hold with the bank for several months or years. Thus, there is no significant relationship between PR and The Performance of Fixed Deposits. Therefore, the null hypothesis H_1 is rejected (0.102>0.05).

The inflation Rate (IR) had a positive relationship with The Performance of Fixed deposits. It means that when the IR increased by 1 unit, it will lead to an increase in The Performance of Fixed Deposit by 0.117. The positive relationship is supported by Inayat Kassam & Naghavi, (2019) in their study states that during inflation the Central bank can raise the cost of borrowing and reduce the credit creating capacity of commercial banks. This will make borrowing more costly than before and thereby the demand for funds will be reduced. Similarly, with a reduction in their credit-creating capacity, the banks will be more cautious in their lending policies. The result will be a fall in the volume of spending and an increase in the volume of deposits. The significant value for the Inflation Rate associated with the Performance of Fixed Deposits showed at 0.000 level which is less than 0.05 ($p<0.05$). Thus, there is a significant relationship between the Inflation Rate (IR) and The Performance of Fixed deposits, Therefore, the null hypothesis H_0 is rejected from this study. The Base Financing Rate (BFR) associated with The Performance of Fixed Deposits, at Bank Rakyat shows a positive relationship. It means that, when the Base Financing Rate (BFR) increased by 1 unit, The Performance of the Fixed Deposit will also increase by 4.845. Since the BFR significant value is 0.000 which is less than

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0.05(p<0.05), here, there has a significant relationship between the Base Financing Rate (BFR) and the performance of Fixed Deposit, therefore, the null hypothesis H_0 is rejected from this study. The positive relationship is supported by Inayat Kassam & Naghavi, (2019) in their study stated that an increase in the rate of BLR will increase the cost of borrowing to customers which would turn the demand for the customer financing. So, this will affect on fall in the volume of borrowing and an increase in the volume of deposits. Table 1 also shows the result for the coefficient of beta. The result shows that the beta for the Base Financing Rate (BFR) is the highest (4.256) compared to the beta of other variables. This means that BFR is the strongest contribution to this study.

Table 2: The Durbin-Watson statistic

Model	R	R Square	Adjusted R Square	Durbin Watson
1	.778[a]	.605	.568	1.284

The value of R-Square in model 1 is 0.605 which means 60.5% changes in the dependent variable can be explained by the changes in the independent variables. Meanwhile, another 39.5% of changes in the dependent variable can be explained by other factors that are excluded from this study. According to the rule of thumb, the higher the value of R-Square, the higher the explanatory power-related equation. In this case, the results show a higher value of R-Square. It means that almost all independent variable has a relationship with the dependent variable. The adjusted R-Square for model 1 is 0.568 which means 56.8% is lower than the R-Square due to the addition of another variable (1-R2), and degree of freedom (n-k). The adjusted R-Square shows all the determinants in model 1 collectively explain 56.8% of the variance in fixed deposits. Therefore, only 56.8% of the variation in the dependent variable (fixed deposit) was explained by the variability of the independent variables (profit rate, inflation rate, base financing rate). The Durbin-Watson test is a test that the residuals from a linear regression or multiple regressions are independent. The figure for Durbin-Watson in table 4.2 shows 1.284. The Durbin-Watson statistic is always between 0 and 4. A value of 2 means that there is no autocorrelation in the sample. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation. There is positive autocorrelation for this result.

Conclusion and Future Research Directions

Based on the result of the findings, it shows that the Profit Rate (PR) has a negative relationship with The Performance of Fixed deposits, Alexakis et al., (2019) in their work try to link the rates of profit to *Islamic* bank's deposits. Using the Pearson Correlation and First Order Autoregressive model, they find a strong negative relationship between the two variables. While the insignificant value is supported by Gemedu, (2012) Deposit Rate (DR) had a negative insignificant effect on the commercial bank's deposits.

Later, the Inflation Rate (IR) had a positive relationship with The Performance of Fixed Deposit, supported by Zhou et al., (2022) in their study states that during the inflation the Central bank can raise the cost of borrowing and reduce the credit creating capacity of commercial banks. This will make borrowing more costly than before and thereby the demand for funds will be reduced. Similarly, with a reduction in their credit-creating capacity, the banks will be more cautious in their lending policies. The result will be a fall in the volume of spending and an increase in the volume of deposits. The Base Financing Rate (BFR) associated with The Performance of Fixed Deposit, shows a positive relationship. The positive relationship is being

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supported by Mohamed Youssef et al., (2022) in their study stated that an increase in the rate of BLR will increase the cost of borrowing to customers which would turn the demand for the customer financing. So, this will affect on fall in the volume of borrowing and an increase in the volume of deposits. From the multiple regression results, the most significant factor that influences the Performance of Fixed deposits in Bank Rakyat is Base Financing Rate. The significant value for Beta of Base Financing Rate is 4.256 which shows the highest value among others (IV). Taken as a whole, the result obtained from this research has answered all the researcher objectives and hopefully, these findings can contribute as a guideline and reference to other future researchers. This research also can benefit Bank Rakyat also so they can improve their product of Fixed Deposit.

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