



DETERMINANTS OF EXCHANGE RATE IN MALAYSIA

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MALACCA CITY CAMPUS

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DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA MALACCA CITY CAMPUS

“DECLARATION OF ORIGINAL WORK”

I, Fakhira Binti Abdul Karim, (951029-10-6006)

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- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

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LETTER OF SUBMISSION

10th July 2019

Bachelor of Business Administration (Hons.) Finance
Faculty of Business Management
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Dear Sir/Madam,

Submission of Project Paper

Attached is the project paper title “**Determinants of Exchange Rate Changes in Malaysia**” to fulfil the requirement needed by the Faculty of Business Administration, Universiti Teknologi MARA (UiTM).

Thank you.

Yours sincerely,

.....

Fakhira Binti Abdul Karim

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ABSTRACT

This research attempts to investigate the relationship between the exchange rate and the independent variables, such as, inflation rate, interest rate, foreign direct investment, gross domestic product and money supply in Malaysia. Secondary data was sourced within the period of 1992 Q1 to 2018Q4. On the other hand, the technique that implemented to estimate the model was Multiple Linear Regressions and Granger causality test. The result from Multiple Linear Regressions showed that the determinants factors of exchange rate through interest rate, gross domestic product and money supply is capable of influencing which has an direct relationship and statistically significant to the exchange rate. However, inflation rate and foreign direct investment did not have any relationship with exchange rate. The conclusions for the studies show that interest rate, gross domestic product and money supply become the factors that affecting the exchange rate in Malaysia. From Granger causality test shows that inflation and exchange does not have causality relationship meanwhile for inflation rate and exchange rates have causality to each other knows as bidirectional causality relationship.

Keywords: Exchange rates, inflation rate, interest rate, foreign direct investment, gross domestic product and money supply.