



THE DETERMINANTS OF EXCHANGE RATE IN MALAYSIA

SITI BALQIS BINTI MOHD ASHAR

(2017690172)

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

KAMPUS BANDARAYA MELAKA

JULY 2020

DECLARATION OF ORIGINAL WORK



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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.
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ACKNOWLEDGEMENT

First and foremost, I would like to express my gratitude to Allah S.W.T for the time, strength and blessings that have been given to me in completing this project paper. Peace and blessing of Allah ne upon His Messenger, Muhammad S.A.W.

I would like to appreciation towards my advisor, Sir Amirudin Bin Mohd Nor for helping me throughout the period for giving me support, guidance and suggestion in complete this project paper. His suggestion and comments have assisted me to complete this project paper. He has made a significant contribution and provide me with his timely response for this project paper.

Moreover, I would also like to extend my gratitude to all my friends who have supported and lend me a hand in completing my project paper. Last but not least, my greatest appreciation also goes to my beloved parents and family for their never ending support, advice, love and encouragement.

Thank you.

ABSTRACT

Currency exchange value can be very volatile in the foreign exchange rate market as it relates to the economic condition. It has been a hot topic in Malaysia owing to the sharp depreciation and volatility in the domestic currency that adversely affect households and businesses. To help maintain MYR's stability, knowing the determinants that affect it is fundamentally necessary. Further reviews indicate that bulk study under the theme of currency has been done for the developed and developing country however lacks in the Malaysian scenario. Hence, this study examines the determinants of exchange rate in Malaysia. The objective of the study is to identify the significant relationship between selected macroeconomic variables to the exchange rate volatility in Malaysia from year 2009 until 2019. The independent variable that was used in this research consists of crude palm oil rate, lending rate, foreign exchange reserve rate, export rate and import rate. Using the Multiple Linear Regression methodology on a set of time series monthly data, this research has discovered that crude palm oil and total export documented insignificant relationship with exchange rate while foreign exchange reserve, lending rate and total import have significant relationships with exchange rate. Researchers are also advised to study the variables in which data are available from the earlier year such as 1980s to ensure that there are sufficient data for normal sample size when running different statistical tests.

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