



**THE DETERMINANTS OF INFLATION IN THREE SELECTED COUNTRIES**

**NURFARAH DIYANA BINTI KHAIRUL AZMAN**

**2016718901**

**FARAH EIZLIN ILYANA BINTI MAZLI**

**2016725889**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS.) FINANCE**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**KAMPUS BANDARAYA MELAKA**

**JANUARY 2019**

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**Submitted in Partial Fulfilment of the Requirement for the  
Bachelor of Business Administration (Hons.) Finance**

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**“DECLARATION OF ORIGINAL WORK”**

We, NURFARAH DIYANA BINTI KHAIRUL AZMAN, (I/C Number: 960311-14-6284) and FARAH EIZLIN ILYANA BINTI MAZLI (I/C Number: 961103-14-5986),

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and not being concurrently submitted for this degree or other degrees.
- This project paper is the result of our 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.

Signature: \_\_\_\_\_, \_\_\_\_\_

Date: \_\_\_\_\_

## LETTER OF SUBMISSION

Madam Zunaidah binti Ab Hasan  
Bachelor of Business Administration (Hons.) Finance  
Faculty of Business Management  
Universiti Teknologi MARA  
Kampus Bandaraya Melaka

Dear Madam,

### **SUBMISSION OF PROJECT PAPER**

### **THE DETERMINANTS OF INFLATION IN THREE SELECTED COUNTRIES**

We are required to do a project paper on the above topic. We hereby submitted this report and I really hope that this work will fulfil the requirement for the Bachelor of Business Administration (Hons.) Finance.

Thank you.

Yours sincerely,

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NURFARAH DIYANA BINTI  
KHAIRUL AZMAN

2016718901

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FARAH EIZLIN ILYANA BINTI MAZLI

2016725889

## **ABSTRACT**

Inflation targeting has been widely adopted in economics of both developed and developing countries. It could also happen towards the third world country. Therefore, many studies have been made to investigate the variables that will affect the inflation in a country. Considering some variables which have affected the inflation, this study tried to investigate the relationship between exchange rate, government expenditure, interest rate and unemployment rate with inflation in three selected countries which are Japan, Malaysia and Malawi by using the annual data from 1991 to 2016.

To achieve the objectives of the study, Pooled OLS model has been used to assess the relationship between real unemployment rate and inflation. The results of the study demonstrated that there was a negative significant relationship between inflation and unemployment rate. In addition, it was shown that government expenditure had a significant and negative effect on inflation.