A STUDY OF FACTORS IN INFLUENCING DEMANDS
TOWARDS NATIONAL CAR MODEL IN MALAYSIA:
AN EMPIRICAL STUDY FROM 1990- 2004

KHAIRUL BIN MOHD YONAN
2004682000

BACHELOR BUSINESS ADMINISTRATION (HONS) IN FINANCE
FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY (UiTM)
MACHANG CAMPUS
KELANTAN

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DEDICATION

"I dedicate this piece of work, to my family and friends

Especially to my friends

in Bachelors in Finance at UiTM Kelantan Branch, Machang Campus

For their support and encouragement,

And who have always been my source of inspiration and pillars of strength

in my every day life"

ABSTRACT

This research paper attempts to determine the relationship between interest rate, population, CPI and gross domestic product (GDP) towards demand for national car model in Malaysia. The data is collected for 15 years starting from year 1990 to 2004 in quarterly basis. The methods used are Simple Linear Regression Model and Multiple Linear Regression Model. Based on analysis from simple linear regression model, the result shows that there are significant and no significant relationships between interest rate, population, CPI and GDP with demand for national car model in Malaysia. The result also shows that there are positive relationships between Base Lending Rate and consumer Price Index, meanwhile for population and gross domestic product, the result shows a negative relationship between demands for national car model in Malaysia. Under the multiple linear regression models, the result shows that all selected variables (interest rate, population, CPI and GDP) have no significant relationships with demand for national car model in Malaysia simultaneously.

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1.0   CHAPTER DESCRIPTION

In this chapter, the study discusses about the background of the study, problem statement, objective of the study, significance of the study, scope of the study, limitation of the study during the process in completing this project paper and definitions of terms. The factor of influencing the demand of the national car will be discussed because it is a proxy of this research.

1.1   Background Of The Study

Malaysia is a member of the Association of South East Asian Nations (ASEAN) and represents one of the biggest automobile markets in the region. Before the beginning of the economic crisis in 1997, Thailand was the largest automotive market within the ten-nation ASEAN, followed by Indonesia, Malaysia, and then the Philippines. But the situation has changed in 1997 and 1998, where Malaysia became the largest vehicle market, followed by Thailand, the Philippines and Indonesia. The automotive sector in Malaysia is assumed to be an engine of industrial development, provider of technological capability, and generator of inter-industry linkages (plastics, still, electronics, glass, metal, rubber, textile industry).

The history of Malaysian automotive industry goes back to early 1960s, where Malaysian government developed a policy to promote an integrated automobile industry to strengthen Malaysia's industrial base. The main objectives of the government in promoting an automobile assembly industry were to reduce imports, save foreign exchange, create employment, develop strong forward and backward linkages with the rest of the economy,