

UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANT OF FOREIGN EXCHANGE
RESERVES IN ASIAN COUNTRIES**

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The Paper investigates the relationship between Foreign Exchange Reserves (FER), Import (IM), Current Account Balance (CA) and Gross Domestic Product (GDP) in Asia Countries. It has been observed that most developing countries of Asia since the Asia Crisis of 1997 have engaged in massive accumulation of Foreign Exchange Reserves. The accumulation has been done regardless of the economic implication on the macro economy. Econometric evidence shows that the variables in the study have least square method. The results of the tests show that Current Account Balance, GDP and Import have positive and significant relationship with FER. Asia countries are accumulating FER because of her over dependent on imports but should be aware of the social costs implication. Proper management of reserves is recommended.

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