

**THE EFFECT OF EXCHANGE RATE AND PALM OIL PRICES TOWARDS
EXPORT EARNING OF PALM OIL INDUSTRY IN INDONESIA**

**SAZEERA BTE JAFRAHIM
2006851250**

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

**FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY
JOHOR**

MAY 2008

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION (HONS)
FINANCE FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY
JOHOR**

“DECLARATION OF ORIGINAL WORK”

I, (SAZEERA BTE JAFRAHIM), (I/C Number: 850726-10-5356)

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 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.

Signature:

Date: MAY 2008

LETTER OF TRANSMITTAL

Faculty of Business and Management
MARA University of Technology
85009 Segamat
Johor Darul Takzim

MAY 2008

Rabiatul Alawiyah Bt. Zainal Abidin
The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
MARA University of Technology
85000 Segamat
Johor Darul Takzim

Dear Madam,

THE EFFECT OF EXCHANGE RATE AND PALM OIL PRICES TOWARDS EXPORT EARNING OF PALM OIL INDUSTRY IN INDONESIA

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

Thank you.

Yours sincerely,

(SAZEERA BTE JAFRAHIM)
(2006851250)
Bachelor of Business Administration (Hons) Finance

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ABSTRACT

This study was examined the effect of exchange rate and palm oil price towards exports earning of palm oil industry in Indonesia. Exchange rate and palm oil price, both are important to study the effects of exports earning in palm oil industry. The study was used detailed monthly data for the past 11 years, from 1996 to 2006. An issue of current interest is to know whether exchange rate and palm oil price can influence the exports earning in Indonesia palm oil industry. The paper has been used multiple linear regression method to see the relationship between dependent and independent variables. Exports value was used as dependent variable while currency exchange rate, crude palm oil price, and crude kernel palm oil price were used as independent variables.

According to the analysis for the year 1996 to 2006, which based on multiple linear regression found that, Crude Palm Oil (CPO) price, Crude Palm Kernel Price(CPKO) and Exchange Rate (Rp/US) are significantly influence the export earning of palm oil industry in Indonesia. All the independent variables also have a positive relationship with the export earning.