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RELATIONSHIP BETWEEN  
INTEREST RATE, COMPOSITE  
INDEX AND FINANCE INDEX

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## **LETTER OF TRANSMITTAL**

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Submission of Project Paper

Enclosed herewith a report of project paper entitled "Relationship between Interest Rate, Composite Index and Finance Index".

I hope that this report can accomplish a requirement and expectation of the faculty. Last but not least, I would like to express my sincere thanks for the efforts and guidance that you have rendered for the completion of this project paper.

**NIK NUUR ELLINNA NIK MOHAMED**  
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## **DECLARATION OF ORIGINAL WORK**

I, NIK NUUR ELLINNA NIK MOHAMED (I/C Number: 770107-03-6128)  
hereby, declare that:

This work has not previously been accepted 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.

All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: Nik Nuur Ellinna Nik Mohamed

Date: April 2000

## **ACKNOWLEDGEMENT**

Full praise to Allah S.W.T and Prophet Muhammad S.A.W

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Last but nor least, to all my lecturers, my colleagues, my housemates and my friends, thank you very much for your endless views and comments.

May Allah S.W.T reward you all with the best here in this World and Hereafter.Amin.

## **ABSTRACT**

The main purpose of this study is to determine whether there exists any relationship between Kuala Lumpur Stock Exchange and interest rate as well as relationship between Finance Index and interest rate. Literature review of related studies are discussed in Chapter 2. Subsequently, Chapter 3 continues with a brief exposure on Malaysia's Capital Market, Stock Index and Interest Rate.

A description of Research and Methodology are discussed in Chapter 4. Data are collected on monthly basis for a period from January 1997 to December 1999. There are thirty-six observations of each variable. The findings have been tested with a Simple-Regression and Correlation Analysis by using SPSS Software.

From the analysis carried out, it can be concluded that there is a relationship between interest rate and KLCI and between interest rate and Finance Index. The study also indicates that the relationship is negative for both KLCI and Finance Index.