



THE CAUSES OF INFLATION IN ASIAN
DEVELOPING COUNTRIES: THE CASE OF
MALAYSIA, INDONESIA, THAILAND AND INDIA

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DECLARATION OF ORIGINAL WORK

I, Fadhli Azizi Bin Yusof, I/C Number: 820304-14-5545, hereby declare that:

1. This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degree.
2. This project paper is the result of my independent work and investigation, except where otherwise stated.
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Dear Sir,

SUBMISSION OF THESIS

It is with great pleasure that I present you my thesis entitled "**THE CAUSES OF INFLATION IN ASIAN DEVELOPING COUNTRIES: THE CASE OF MALAYSIA, INDONESIA, THAILAND AND INDIA**" for your kind evaluation as required by the Faculty of Business Management, UiTM.

Your kindness in accepting this unbounded thesis is very much appreciated.

Thank you.

Yours Sincerely,

FADHLI AZIZI BIN YUSOF
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MAY ALLAH S.W.T BLESSES EVERYBODY

ABSTRACT

Inflation can be devastating to a country as it can dampen and weaken an economy of a country. There are several causes of inflation in an economy. Recently the world had been shock with the increase of crude oil which had troubled the economy. Malaysia, Indonesia, Thailand and India had record a historical high inflation rate in 2008 where the crude oil price had hiked almost USD140 per barrel. Last reported inflation rate on February 2011 in Malaysia was 2.9 percent, Indonesia was 13.26 percent, Thailand was 3.1 percent and India was 8.82 percent. The objective of this study is to identify other factors that influence inflation in Malaysia, Indonesia, Thailand and India. This study also seeks to get a general view of the causes of inflation in Asian developing countries. The time series analysis discovers that money supply (M2) is the cause of inflation in Malaysia, Thailand and India. Moreover, economic growth seems to impact inflation in Malaysia and Indonesia. Furthermore, government expenditure does not trigger inflation in Malaysia, Indonesia and Thailand but does in India. Besides that, exchange rate does cause inflation in Thailand and India but not in Malaysia and Indonesia. Meanwhile, interest rate does not seem to bother inflation in Malaysia, Indonesia and Thailand except for India.