

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF MONEY
DEMAND IN MALAYSIA**

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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

This study aims to examine the determinants of money demand (M1, M2, M3) or commonly to be known as narrow money and broad money in Malaysia from 1987 to 2016. Ordinary Least Square (OLS) method is used to estimate the parameters of lending interest rate and GDP per capita in a linear regression model. The results show that the interest lending rates have a negative and significant influence on M1, M2 and M3 in both linear and double log models. However, there is no significant relationship between GDP per capita and money demand. Thus, policy can be implied by adjusting interest rate to boost or slow down economic to fix unemployment or inflation.

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