



UNIVERSITI TEKNOLOGI MARA

**FACTORS OF AFFECTING
EXCHANGE RATE MOVEMENT IN
MALAYSIA**

**SHARIFAH NURUL SHAHIRA BINTI
SYED ABDUL MALIK
2015102029**

**BBA (Hons) Business Administration
Finance**

December 2017

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA Johor. 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 Johor, regulating the conduct of my study and research.

Name of Student : Sharifah Nurul Shahira Binti Syed Abdul Malik

Student I.D. No. : 2015102029

Programme : Bachelor of Business Administration (Hons) finance

Faculty : Business Management

Thesis : FACTORS OF AFFECTING EXCHANGE RATE
MOVEMENT IN MALAYSIA

Signature of Student :

Date : 04 December 2017

ABSTRACT

In Malaysia, the ringgit came under speculative attack and also declined significantly that would cause the capital account had not liberalized and suffered a contraction a gross domestic product growth. The financial crisis began after the Thai currency was floated which cause the depreciation of Baht and other Asian cash including Ringgit successively. Beside, this paper concern about the factor affecting exchange rate movement in Malaysia with involve the various macroeconomic indicator which are stock return, money supply, merchandise trade and government debt covering the period between 1987 until 2016. To identify which macroeconomic factor variable that could give a big impact toward exchange rate movement is one of the objective of this study that need to accomplish and this research will be guided by research question to determine the relationship between macroeconomic indicators towards volatility of exchange rate in Malaysia. The annually data were collected from several sources which are DataStream and World Bank source were chosen among the influential variable based on the previous research of this study. This paper use E-View approach to test the variable which are descriptive statistics, stationary and unit root test, regression analysis,hyphothesis test, and test on assumption. There are some previous researcher studied on factors that affecting exchange rate fluctuate stated the exchange rate is adversely connected with stock return. On the other hand, merchandise trade, money supply and government on external debt has positive relationship with exchange rate movement in Malaysia. Hence, this study show result that Trade,Money Supply and Debt are positive relationship while return index has a negative and significant relationship.

TABLE OF CONTENT

	Page
AUTHOR'S DECLARATION	
ABSTRACT	
ACKNOWLEDGEMENT	
TABLE OF CONTENT	
LIST OF TABLES	
CHAPTER ONE INTRODUCTION	
1.1 Introduction	1
1.2 Research Background	1
1.3 Problem Statement	2
1.4 Research Questions	3
1.5 Research Objectives	3
1.6 Significance of Study	3
1.7 Scope of Study	4
1.8 Limitation of Study	4
1.9 Definition of Terms	5
1.10 Summary	5
CHAPTER TWO LITERATURE REVIEW	6
2.1 Introduction	6
2.2 Literature review on topic	6
2.3 Literature review on Market return (index)	7
2.4 Literature review on Money Supply	8
2.5 Literature review on Trade	9
2.6 Literature review on Government debt	10
2.7 Summary	12

LIST OF TABLES

Tables	Title	Page
Table 1.1	Coefficient of determination	16
Table 2.1	Correlation of coefficient	16
Table 4.1	Correlation analysis	23
Table 4.2	Multicolinerity Findings	26