

**“THE IMPACT OF INTEREST RATES AND INFLATION
TOWARDS THE SHARES PRICES OF PROPERTY SECTOR”**

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UNIVERSITI TEKNOLOGI MARA

SEPTEMBER 2001

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS
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LETTER OF TRANSMITTAL

Bachelor of Business Administration (Hons) (Finance)
Faculty of Business and Management
Universiti Teknologi MARA
Bukit Ilmu
18000 Machang
Kelantan

September 5, 2001

Professor Madya Puan Zahiyah Haji Itam Othman
Project Advisor
Faculty of Business and Management
Universiti Teknologi MARA
Bukit Ilmu
18500 Machang
Kelantan

Dear Madam,

RE: SUBMISSION OF FINAL PROJECT PAPER

Enclosed is a report entitled "The Impact of Interest Rates and Inflation Towards the Shares Prices of Property Sector". The purpose of this study is to assess the relationship of interest rates and inflation on the performance of property stock, which based on the KLSE Property Index.

The findings from this study will benefit many investors and property developer in their property sector investment activities.

I truly hope that this project paper will meet your requirements.

Thank You.

Yours faithfully,



MOHD ZAILANI BIN ZAKARIA
99149631

ACKNOWLEDGEMENT

All praises to the Almighty Allah s.w.t, who has given me the opportunity and strength to accomplish my long left hope and wish in completing this research paper.

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Last but not least, for my beloved mother Puan Che Yang Binti Hussain, the first women I love in my life. Thank for everything you have done to me. I will not forget it.

May Allah Bless You All.....

ABSTRACT

This project paper was conducted to answer the question whether Interest Rates and Inflation influence the performance of share prices in Property Sector. The study is focus on the Kuala Lumpur Stock Exchange Property Index that represents all property stock in KLSE.

In order to measure the Interest Rates, Kuala Lumpur Interbank Offer Rates (KLIBOR) are used, where else Consumer Price Index (CPI) are used to measure the rate of Inflation. Both are considered as independent variables to test whether these factors are significant or not towards the performance of share price of the property sector as a dependent variable. From the empirical finding, it can be concluded that both the Interest Rates and Inflation have a negative relationship with share price of Property Sector. It means that the inverse relationship exist between independent variables and dependent variable. In conclusion, it's true that the Interest Rates and Inflation give an impact to the Property Market.

Lastly, this study also focus on the performance of Property Sector for the five years past since January 1996 until December 2000. All the variables used are calculated in quarter average.