



**FACTOR THAT AFFECTS THE EXCHANGE  
RATE IN MALAYSIA**

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## **ABSTRACT**

Exchange rate is defined as the price of a nation's currency in terms of another currency. It can be separate to two components, which is domestic currency and foreign currency and can be quoted either directly or indirectly. Most exchange rate use US dollar as the base currency and other currencies as the counter currency. Therefore, the purpose of this research is to examine the determinants that affect the movement of exchange rate performance in Malaysia. The research is based on monthly data, starting from the July 2007 to August 2014. The multiple linear regressions are used in this study to assess the significant between the dependent variable that are exchange rate performance and independent variables that are inflation rate, stock market, gross domestic product, money supply and interest rate. The main findings suggest that Malaysian exchange rate is determined by changes in macroeconomic determinants, namely: inflation rate, stock market, gross domestic product (export), money supply and interest rate.

## **1.0 CHAPTER ONE: INTRODUCTION**

### **1.1 OVERVIEW OF THE STUDY**

This chapter will discuss the background of study, problem statement, research question, research objective, significance of the study, and summary. This research is focused on the factor that affects the exchange rate in Malaysia.

In background study, this research paper will discuss about dependent and independent variables. Dependent variable in this study is Exchange Rate in Malaysia and the independent variables are inflation rate, stock market, gross domestic product, money supply and interest rate. The gap of the problem in this research will be discussed in problem statement.

The research question in this chapter will discuss about the question that are related to the theoretical framework in this research. This research has two types of research question which are the main research question and specific research question. The main research question for this research is related to the dependent variable that is basic research in this study. The specific research question is to support the main research question.

Research objective is divided into two which are main research objective and specific research objective. In this chapter, research will give information about the important of the study for all parties such as for the government, investors and also for the individual. It will cover in significant of study.