



**UNIVERSITI TEKNOLOGI MARA**

**RELATIONSHIPS AMONG INTEREST RATE, INFLATION RATE,  
FOREIGN EXCHANGE ON CURRENCY RINGGIT**

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## **ABSTRACT**

Using Malaysia as a case study, this study examines the relationship between interest rates and inflation concerning economic growth. The quarterly data was used for a period of 3 years, between 2018 and 2020. Interest rates and economic growth were shown to be positively correlated, while inflation rates and economic growth were found to be negatively correlated. According to the regression results, Malaysia's interest rate has a considerable impact on economic growth

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# TABLE OF CONTENT

## CHAPTER ONE

### INTRODUCTION

1.1 Introduction .....	1
1.2 Background of the Study .....	3
1.3 Problem statement .....	4
1.4 Research questions .....	5
1.5 Research objectives .....	5
1.6 Significance of the study .....	5
1.7 Scope of the study .....	6
1.8 Limitations of the study .....	6
1.9 Definition of key terms .....	6
1.10 Summary .....	8

## CHAPTER TWO

### LITERATURE REVIEW

2.1 Introduction .....	9
2.2 Literature Review on Currency Ringgit .....	9
2.3 Literature Review on Foreign Exchange Rate.....	10
2.4 Literature Review on Interest Rate.....	11
2.5 Literature Review on Inflation Rate .....	12
2.6 Literature Gap .....	13
2.7 Research Framework .....	14
2.8 Summary .....	15

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Introduction

With inflation, prices for goods and services are growing at a faster rate than the buying power of currency is decreasing. To keep the economy operating smoothly, central banks strive to restrict inflation and avoid deflation. While the financial strength is pointing to an unfortunate lack of macroeconomic vacillations. Money-stable economies are those that have a consistently high rate of return on investment and a modest, stable rate of growth. Monetary instability is defined as a series of large declines, a business cycle, high or fluctuating inflation, and frequent money-related problems in a country's economic system

More frequently than not, capital flows will be channeled into growing business sector economies as a result of a pattern and arrangement contrast in the midst of advanced and developing economies. As a strategy maker, you must use the fiscal approach as an instrument to avoid these risks posed by the rapid restoration of capital inflows, which are enormous in a verifiable environment that has posed risks to financial and monetary stability.

Malaysia's monetary strategy will have gone through a process of steady growth and will have included value solidity, ensuring a stable flow of credit to various useful areas of the economy, and achieving monetary steadiness. The arrangement situation will be determined by an assessment of the financial and monetary conditions, as well as fiscal actions. An unmistakable grasp of the fiscal strategy will assist in ensuring a feasible and efficient execution of financial and monetary soundness.