



THE DETERMINANTS OF MALAYSIA'S EXCHANGE RATE

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BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MALACCA CITY CAMPUS

JANUARY 2018

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Submitted in Partial Fulfilment of the

Requirement for the

Bachelor of Business Administration with Honours (Finance)

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DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
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“DECLARATION OF ORIGINAL WORK”**

Fify Farahana Bte Mohd Azmy (950410-04-5586)

Hereby, declare that:

- **This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.**
- **This project-paper is the result of my independent work and investigation, except where otherwise stated.**
- **All verbatim extracts have been distinguished by quotation marks and sources of my information has been specifically acknowledged.**

Signature: _____

Date: _____

LETTER OF SUBMISSION

Jan 2018

**Madam Maymunah Ismail
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Alor Gajah Melaka Bandaraya Bersejarah**

Dear Madam,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper title “DETERMINANTS OF MALAYSIA’S EXCHANGE RATE” to fulfill the requirement needed by the Faculty of Business Management, University Technology MARA.

Thank You.

Yours Sincerely,

FIFY FARAHANA BTE MOHD AZMY

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ABSTRACT

The study examines the relationships that between exchange rate (ER) and the determinants inflation rate (INF), gross domestic product (GDP), interest rate (IR), import (IMP) and export (EXP) in the recent years in Malaysia over the period of 1987-2015 which contains yearly data. The data collected from World Development Indicator. After examined the time series characteristics of the data with Augmented Dickey-Fuller (ADF) unit roots test of stationarity and Philipp Perron (PP) test, this paper applies Auto-regressive Distributed Lag Model (ARDL) as main method in order to define the statistical relationship among the variables.

In Diagnostic Checking, some tests done to check the significant presents of autocorrelation, heteroscedasticity, the normality of data distribution and model specification. The result of this study show that there is significant for long run relationship between exchange rate and three explanatory variables which are gross domestic product, inflation rate and export while interest rate and import did not have any relationship with the ER.