



**DETERMINANTS THAT AFFECTING EXCHANGE RATE IN MALAYSIA**

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Submitted in Partial Fulfilment of the  
Requirement for the  
Bachelor of Business Administration with Honours (Finance)

FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITY TECHNOLOGY MARA  
MALACCA CITY

JANUARY 2018

**DECLARATION OF ORIGINAL WORK**



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**“DECLARATION OF ORIGINAL WORK”**

I, SABIRIN BIN SALEH, (950525045009)

Hereby, declare that:

- This work has not previously 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 have been specifically acknowledged.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**LETTER OF SUBMISSION**

BACHELOR OF BUSINESS ADMINISTRATION

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UNIVERSITI TEKNOLOGI MARA

MELAKA CITY CAMPUS

Sir Ahmad Syaifulizan Bin Zulkeefly

Dear Sir,

SUBMISSION OF PROJECT PAPER

**DETERMINANTS THAT AFFECTING EXCHANGE RATE IN MALAYSIA**

I'm required to do a project paper on the above topic. I hereby submitted this report and I really hope that this work fulfill the requirement for the Bachelor of Business Administration Honours (Finance).

Thank you.

Sincerely,

.....

SABIRIN BIN SALEH

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Bachelor of Business Administration Honours (Finance)

## **ABSTRACT**

This study will focus on the determinants that affecting exchange rate in Malaysia. The objective of this study is to examine the relationship between Inflation Rate, Money Supply, Gross Domestic Product and Foreign Direct Investment towards Exchange Rate in Malaysia. In order to achieve the objective, this study applies the Autoregressive distributed lag model and used annually data over the period 1975 until 2015 from authorized sources. The study revealed that in ARDL Model there is a significant positive and insignificant positive relationship between Exchange rate and the selected determinants which is Inflation Rate and Money Supply respectively. Meanwhile, Gross Domestic Product and Foreign Direct Investment are found negative but significant towards Exchange Rate. This study is important for the government to retain tight monetary and fiscal policies in order to stable exchange rate in the Malaysia. Besides that, central bank will also get benefits in order to promote monetary authorities at managing exchange rate effectively.

Keyword : Exchange Rate, Inflation Rate, Money Supply, Gross Domestic Product, Foreign Direct Investment, ARDL