



**DETERMINANTS OF EXCHANGE RATE IN MALAYSIA**

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**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS**

**(FINANCE)**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**MALACCA CITY CAMPUS**

**JANUARY 2020**

**DECLARATION OF ORIGINAL WORK**



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MALACCA CITY CAMPUS  
“DECLARATION OF ORIGINAL WORK”**

I, Nursuziana Fazira Binti Abdul Wahab, (961015-01-5022),

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 have been specifically acknowledged.

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

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

## LETTER OF SUBMISSION

13<sup>th</sup> January 2020

Bachelor of Business Administration (Hons.) Finance  
Faculty of Business Management  
Universiti Teknologi Mara (UiTM)  
Malacca City Campus  
110 Off Jalan Hang Tuah  
75300 Melaka Bandaraya Bersejarah

Dear Sir/Madam,

### **Submission of Project Paper**

Attached is the project paper title “**Determinants of Exchange Rate Changes in Malaysia**” to fulfil the requirement needed by the Faculty of Business Administration, Universiti Teknologi MARA (UiTM).

Thank you.

Yours sincerely,

.....

Nursuziana Fazira Binti Abdul Wahab

2017656714

Bachelor of Business Administration (Hons.) Finance

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## **ABSTRACT**

This research attempts to investigate the relationship between the exchange rate and the independent variables, such as, inflation rate, interest rate, money supply, palm oil prices and trade in Malaysia. Secondary data was sourced within the period of January 2018 to December 2018. On the other hand, the technique that implemented to estimate the model was Multiple Linear Regressions and Granger causality test. The result from Multiple Linear Regressions showed that the determinants factors of exchange rate through interest rate, palm oil price and trade is capable of influencing which has an direct relationship and statistically significant to the exchange rate. However, inflation rate and money supply did not have any relationship with exchange rate. The conclusions for the studies show that interest rate, palm oil price and trade become the factors that affecting the exchange rate in Malaysia. From Granger causality test shows that inflation and exchange does not have causality relationship.

**Keywords:** Exchange rates, inflation rate, interest rate, money supply, palm oil price and trade.