



**A STUDY ON THE RELATIONSHIPS BETWEEN SELECTED
ECONOMIC VARIABLES TOWARDS THE INTEREST RATES
CASE STUDY: MALAYSIA**

**UZIR SHAH BIN MD YUSOF
2008405084**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
BANDARAYA MELAKA**

MAY 2011

**A STUDY ON THE RELATIONSHIPS BETWEEN SELECTED
ECONOMIC VARIABLES TOWARDS THE INTEREST RATES
CASE STUDY: MALAYSIA**

**UZIR SHAH BIN MD YUSOS
2008405084**

**Submitted in Partial Fulfillment
Of the Requirement for the
Bachelor of Business Administration
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UITM, BANDARAYA MELAKA**

MAY 2011

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGY MARA
BANDARAYA MELAKA
“DECLARATION OF ORIGINAL WORK”**

I, UZIR SHAH BIN MD YUSOS, 890816-23-5249

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 others degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbalism extract have been distinguished by quotation marks and source of my information have been specifically acknowledged.

Signature:

Date:

LETTER OF SUBMISSION

3rd May 2011

The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA
72400 Bandaraya Melaka
Melaka

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “A STUDY ON THE RELATIONSHIPS BETWEEN SELECTED ECONOMIC VARIABLES TOWARDS THE INTEREST RATES CASE STUDY: MALAYSIA” to fulfill the requirement as needed by the Faculty of Business Management, University Technology MARA

Thank You

Your Sincerely

.....

UZIR SHAH BIN MD YUSOS
2008405084
Bachelor of Business Administration (Hons) Finance

ABSTRACT

Many studies have been conducted to determine the relationships between the economic variables and interest rates. This study were conducted in order to measure the applicability of all previous studies statement regarding the relationships of selected economic variables (gross domestic product, inflation and money supply) towards the interest rates in Malaysia. This study also conducted to understand the movement of all the variables over the 10 years period from 2001 to 2010. All data were collected on quarterly basis. Methods in measuring findings were single linear regression and multiple linear regressions. According to the findings, in Malaysia, only inflation rates show significance relationships towards the interest rates and the relationships are positives. This means that if Malaysian inflation rates rise, the interest rates will also rises. Gross domestic product and money supply (M2) result shows that there are no significant effect between them towards the interest rates in Malaysia. Conclusion from this study is, even they have been few study conducted in overseas shows that each independent variables in this study have significant effect towards the interest rates, but it seems that in Malaysia, only inflation rates have significant relationships toward the interest rates.