



اوتنورسي تيكنولوگي مارا

MARA UNIVERSITY OF TECHNOLOGY  
MACHANG CAMPUS

***“DETERMINING THE EFFECTIVENESS OF  
MONETARY POLICY TOOLS TOWARDS  
ECONOMIC GROWTH; A CASE STUDY IN  
MALAYSIA DURING RECESSION  
(1998-2005)”***

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## DECLARATION OF ORIGINAL WORK



اَللّٰهُمَّ صَلِّ وَسَلِّمْ عَلٰى نَبِيِّنَا مُحَمَّدٍ  
وَعَلٰى اٰلِهِٖ وَسَلَّمَ

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### “DECLARATION OF ORIGINAL WORK”

I, Nur Hafidzah Idris (i/c No: 820603-05-5400) hereby declared that,

- This work has not previously been accepted in substance for any degree, locally or overseas, and 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.

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## **ABSTRACT**

The purpose of this study is to determine the most effective tool of Monetary Policy to build up economic growth during recession. The tools are Open Market Operation (OMO), Statutory Reserve Requirement (SRR) and Discount Rate (DR). Malaysians Government Securities Bond (MGS) as a proxy to OMO, 3-month intervention rate is used for discount rate and Growth Domestic Product (GDP) as a proxy to economic growth. The scope of the study is during recession, period starting from January 1998 to December 2005. The data is collected monthly, apart from that, secondary sources are also used. From the result, only the discount rate has a significant relationship with GDP, while there is no significant relationship between open market operation and statutory reserve requirement to GDP. Thus, discount rate is the most effective tool for economic growth during recession. Since the researcher had identified the most effective tool for Monetary Policy during recession, it is recommend for BNM to use and emphasize these effective tools (discount rate) in our economy during recession.