UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF FACTORS THAT AFFECTING INFLATION IN MALAYSIA

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Thesis submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Finance)**

Faculty of Business Administration

December 2017

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA, Johor Branch, Segamat Campus. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergaduate, Universiti Teknologi MARA, Johor Branch, Segamat Campus, regulating the conduct of my study and research.

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ABSTRACT

Inflation is one of the determinants of the country's economic development. It has become one of the most serious issues year by year. It is should be taken care by each country. In 2008, Malaysia recorded the highest inflation rate at 5.4 percent. This is due to the global financial crisis which caused the economic situation of Malaysia is in not good condition. However, in the year 2015 and 2016, the inflation rate in Malaysia had reduced to 2.1 percent, which mean in that year, the economic condition of Malaysia is getting better. Many studies have been conducted by previous researchers on factors that could cause inflation either contribute to the increase or decrease in inflation. Thus, in this research paper, it has focused on the determinants of factors that affecting inflation in Malaysia. Quantitative method and econometric model are used to investigate the relationship between dependent variable and independent variables. Inflation rate act as a dependent variable, whereas money supply, exchange rate, unemployment rate, government expenditure and gross domestic product (GDP) are classified under independent variables. It is used time series data for 30 years, starting from year 1986 until the year 2015. All the 30 samples will be tested by using Ordinary Least Square (OLS) estimators such as Multicollinearity test, Normality test, Heteroskedasticity test and Correlation test. This research paper use Eviews 9 to interpret the data of OLS estimator tests and Unit Root Test. Some of the country may face negative impact from the occurring of high inflation rate. Therefore, all parties should alert about the inflationary situation in Malaysia to avoid the negative impact.

ACKNOWLEDGEMENT

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