UNIVERSITI TEKNOLOGI MARA

INDONESIA BANK STOCK RETURNS SENSITIVITY TO CHANGES IN MACROECONOMIC VARIABLES

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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. 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 Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The purpose of this research is to determine the significant relationship between macroeconomic variables and the bank stock returns in Indonesia. The researcher will use Indonesia Bank Stock Returns as the main indicator for dependent variables and the macroeconomic variables comprises of composite index, exchange rate, long term interest rate, and short term interest rate. In order to determine the relationship between the four (4) macroeconomic variables and the Indonesia bank stock returns, this project paper used weekly basis during the period from 2010-2019 and E-views software is applied to analyze it. The scope of study for the research is within Indonesia. A part from that, this study employs proxy to a few of the selected macroeconomic variables such as 10 Indonesia bank for bank stock returns, bond for long term interest rate, and treasury bill for short term interest rate. Therefore, the data analysis plan for this research is Multiple Linear Regression Model in order to analyze the data. Based on the previous study, it was found that two of the economic variables, composite index and exchange rate have a strong relationship towards the bank stock returns while long term interest rate and short term interest rate have a weak relationship towards bank stock returns. Additionally, the researcher found out there are past research claims that all independent variable is significant with all macroeconomic variables therefore all the independent variable have positive relationship with dependent variable.

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