

**THE IMPACT OF THE INTEREST RATE CHANGES
ON THE PERFORMANCE OF AUTOMOBILE SECTOR
IN MALAYSIA**

PREPARED BY :

**MOHAMED ZAIDI BIN MAT ZAIN
2000223496**

**A dissertation submitted to MARA university of Technology in
partial fulfillment of the requirement for the Bachelor of Business
Administration (Hons) Finance**

MARCH 2002

LETTER OF TRANSMITTAL

The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business and Management
Universiti Teknologi MARA Kelantan Branch
18500 Machang
Kelantan

9 March 2002

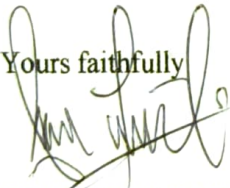
Dear Sir,

SUBMISSION OF PROJECT PAPER (FIN 660)

Attached is the project paper entitled '**THE IMPACT OF INTEREST RATE CHANGES ON THE PERFORMANCE OF AUTOMOBILE SECTOR IN MALAYSIA**' to fulfill the requirement as needed by the Faculty of Business and Management, Universiti Teknologi MARA.

Thank you.

Yours faithfully



MOHAMED ZAIDI BIN MAT ZAIN

2000223496

Bachelor of Business Administration with Honors (Finance)

ACKNOWLEDGEMENT

Bismillahirrahmanirahim,

After much time and patience that have been indulged in preparing this project paper entitled: The Impact of Interest Rate Changes On the Performance of Automobile Sector in Malaysia, I am proud to say that it is successfully completed.

Special gratitude must be expressed those people who were responsible for the preparation of this project paper and for their comments, remarks and views that have helped and guided the flow of this paper.

First of all, I would like to extent my utmost appreciation and thanks to my advisor, Puan Rahmah Lob Yussof for her guidance and advice throughout the period in preparing this paper. Her opinions and views have contributed a lot in making this paper successful.

I would also like to express my genuine appreciation to my friends Jet, Farid, Nazri and especially Azren for their prayers, support and understanding. You people have inspired me a lot.

Last but not least, to my beloved mum who is always in my mind and provides the inspiration to prepare this project paper.

MOHAMED ZAIDI MAT ZAIN

ABSTRACT

The Impact of Interest Rate Changes on the Performance of Automobile Sector in Malaysia.

The focus will be on the impact of interest rate changes on the performances of automobile sectors and how they survive when facing the interest rate fluctuation over the year in Malaysia.

The rate of interest is the key economic variable, which materially affects the purchasing power of corporate and individual in Malaysia. A change in interest rate has an important implication for the economic smooth running. Due to the fact that the changes in the interest rate affect the customers' reaction as well as business decisions.

The main challenge for those involving in the financial and business planning is to be foreseeing the after effect of the interest rates changes in the country. Nevertheless, the changes of interest rates in Malaysia can be quite political as Government (Bank Negara Malaysia) does play a major role in determining the level of interest rates for the country.

CHAPTER ONE

INTRODUCTION

1.1 Definitions

Interest rate is defined as the price that the borrower pays in order to be able to consume resources now rather than at a point in time in the future.

Corresponding, it is therefore the price that a tender service to forgo current consumption in order to take advantages of consumption of resource at some point in the future. Like all prices in free market, interest rates are established by the interaction of supply and demand; in context it is supply and demand of the future claim on resources¹. We may therefore, adopt as supply of and the demand for, future claim on resource.

The impact of interest rate on the automobile company is usually measured by its sales and profit making over the years, as well as from the liquidity ratio, profitability ratio, and leverage ratio. However, the ratio have their limitation in determining the real impact changes of interest rates with regard to perspective.