



*Perpustakaan  
Kampus Kota Bharu*

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**UNIVERSITI TEKNOLOGI MARA  
CAWANGAN KELANTAN**

**“A STUDY ON THE EFFECTS OF BROAD MONEY, GDP, AND INFLATION  
RATE TOWARDS THE MOVEMENT OF MALAYSIAN CURRENCY  
AGAINST JAPANESE YEN”**

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**“In the name of Allah The Almighty, The Merciful, The Beneficent”**

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## **ABSTRACT**

This paper investigates the relationship between broad money (M3), gross domestic product (GDP), inflation rate, and interest rate towards the movement of Malaysian currency against Japanese Yen. Nowadays Malaysian currency is fluctuated against other currency. Local newspaper News Strait Time January 30, 2007 reported that Ringgit currently rise against the major currencies. The study focuses on changes that occur in Malaysia in year 1998-2006. The data has been collected on monthly basis. This purpose of the study is to know the effects of broad money (M3), gross domestic product (GDP), inflation rate and interest rate (BLR) towards the movement of Malaysian Ringgit against Japanese Yen. The researcher found that inflation rate and exchange rate have significant relation with exchange rate, while money supply (M3) and gross domestic product have not significant relationship with the exchange rate.

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Japan has the world's second-biggest economy, but it remains a traditional society with strong social and employment Main exports of Japan are vehicles, computer parts, chemicals, scientific instruments and watches. Therefore Japan becomes one of major trading to Asian and development country, as well as to Malaysia, Indonesia and Singapore. Malaysian and Japan had established diplomatic relation since 1957. Malaysian export to Japan estimated 1,562 billion yen for 2000 (LNG, timber, machinery and equipment) and imports are 1,496 billion yen for 2000 (electronically parts, machinery, steel). The total of Direct Investment from Japan is 58.6 billion yen (1999).

On 25th May 2005, the Prime Minister of Japan, Mr Junichiro Koizumi, and the Prime Minister of Malaysia, Dato' Seri Abdullah bin Haji Ahmad Badawi met, whereby it was confirmed that agreement in principle has been reached on major elements of the Japan-Malaysia Economic Partnership Agreement (JMEPA ). The JMEPA will mark a new era for Japan-Malaysia strategic partnership, by forging closer economic relations through cooperation, liberalization and facilitation in trade and investment between the two countries. The JMEPA will also cover a wide range of economic activities including intellectual property, competition policy, enhancement of business environment, and bilateral cooperation in the