DETERMINANTS OF FOOD PRICE INFLATIONS IN MALAYSIA, INDONESIA AND UNITED STATES

NURLAILA BINTI ALIAS

2012281066

Submitted in Partial Fulfilment of the Requirement for the

Bachelor of Business Administration with Honours (Economics)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

KOTA KINABALU, SABAH

JANUARY 2015

ACKNOWLEDGEMENT

In the name of Allah, the Most Gracious and the Most Merciful

Alhamdulillah, all praise to Allah for the strengths and his blessing in completing my thesis. Special thanks to my parents and family for the endless support, patience, love and understanding throughout years of my studies.

Sincere thanks to my advisor Tn. Hj Wahi Ismail for the all support, advice, guidance and knowledge throughout the process in completing this final year project paper. I would like to thank to all of the lecturers of Business Administration for the guidance and knowledge to me and my friends.

Not forgetting also to all of my friends and course mates for helping me and giving some ideas that valuable in the progression and completion of my thesis.

Thank you very much and I really appreciate it.

TABLE OF CONTENTS

	Page
TITLE PAGE	i.
DECLARATION OF ORIGINAL WORK	ii.
LETTER OF SUBMISSION	iii.
ACKNOWLEDGEMENTS	iv.
TABLE OF CONTENTS	v-vi.
LIST OF FIGURES	vii.
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix.
ABSTRACT	x.
CHAPTER 1 INTRODUCTION	
1.1. **Introduction**	1
1.2. **Background of Study**	2-4
1.3. **Problem Statement**	4-5
1.4. **Objectives**	5
1.5. **Scope of study**	5
1.6. **Significance of study**	6
1.7. **Limitations**	7
1.8. **Chapter Outline**	7-8
CHAPTER 2 LITERATURE REVIEW	
2.1. Introduction	9
2.2. Literature Review	9-16
2.3. Theoretical Framework	17
CHAPTER 3 DATA AND METHODOLGY	
3.1. **Introduction**	18
3.2. **Data Descriptions**	18-19
3.3. **Definition of terms**	19-20
3.4. **Empirical Model**	20
3.5. **Measurement of Data**	21

3.5.1 Descriptive analysis	21
3.5.2 Unit root test	21
3.5.2.1 Augmented Dickey Fuller (1979)	22
3.5.3 Statistical testing	
3.5.3.1 Individual testing	23
3.5.3.2 P-value approach	24
3.5.3.3 Overall test	25-26
3.5.4 Panel least square	27
3.5.4.1 Simple regression model	27
3.5.4.2 Pooled regression model	27
3.5.5 Autocorrelation test	28
3.5.6 Multicollinearity test	29
3.5.7 Heterocedasticity test	30
3.6. **Statistical Software**	31
3.7. **Hypotheses**	31-32
CHAPTER 4 EMPIRICAL RESULTS	
4.1. **Introduction**	33
4.2. **Descriptive statistic result**	33
4.3. **Unit root test**	34
4.3.1 Augmented Dickey Fuller (1979)	34
4.4. **Panel least square**	
4.4.1 Simple regression model	35-37
4.4.2 Pooled regression model	38-40
4.5. **Autocorrelation test**	41
4.6. **Multicollinearity test**	42
4.7. **Heterocedasticity test**	43
4.8. **Summary of chapter**	44
CHAPTER 5 CONCLUSION AND RECOMMENDATIONS	45-46
REFERENCES	47-48
APPENDICES	49

ABSTRACT

The purpose of this study is we want to identify the derivation of food price increase. This kind of vital issue is not a new issues nowadays however it attract many researchers to investigate and more trying to solve problem that Using Panel least square methods, the findings shows there is significant relationship between increase in food prices with oil price, exchange rate and the output of agriculture.