



*A Paper Submitted To MARA Institute Of Technology In Partial  
Fulfillment Of The Requirement For The Bachelor Business  
Administration ( FINANCE )*

**STUDY ON THE RELATIONSHIP BETWEEN AVERAGE  
LENDING RATE AND STOCK INVESTMENT RETURNS  
FOR SELECTED COMPANIES IN TARGET SECTOR AT  
KLSE**

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# ❖ ABSTRACT ❖

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This project paper aimed at examining the relationship between Average Lending ( ALR ) and stock investment returns for selected companies in target sectors at KLSE . Time coverage for this project paper is from July 1991 until June 1996 . The sample of the selected companies are 34 and focused on the Industrial Products , Construction , Trading Services , Finance , Hotel and Property & Development sectors at KLSE . The interest rate used in this study is the short term Average Lending Rate for 5 years .

The research was carried out through analytical quantitative method using computer software package that is *SPSS* to predict the relationship between Average Lending Rate and stock investment returns .

The results shown that most of the selected companies in the target sectors at KLSE are not sensitive to the Average Lending Rate . Only four companies from 34 which had been selected shown sensitivity to Average Lending Rate . The hypothesis also shown that most of the selected companies are not significant to the Average Lending Rate during the period of study .

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# STRUCTURE OF THE PROJECT

## ∞ PAPER ∞

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The first chapter of the project paper presents the introduction part of study. It comprises of the objectives, background and the scope and limitation . It also presents some of the economic activities which are heavily influenced our stock market .

The second chapter talks about the literature review that are related to the study conducted in this project paper based on the previous research that are used to support the theoretical parts of this project paper and it is expected to give and explain the whole ideas or information to the study .

The third chapter will explain the history of interest rate where it divided into three sections that are Classical Theory , Loanable Funds Approach Theory and Monetarist Theories .

The fourth chapter comprises an overview on interest rate and stock market in Malaysia . In this chapter it presents the interest rate regulation in

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# **TABLE OF CONTENTS**

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	<i>Page</i>
<i>Acknowledgment</i>	i
<i>Abstract</i>	iii
<i>Structure Of The Project Paper</i>	iv
<i>List Of Tables</i>	vi
<i>List Of Appendices</i>	vii
<i>Abbreviations</i>	x
<b><i>Chapter 1 INTRODUCTION</i></b>	
1.0. Introduction	1
1.1. Objectives Of Study	4
1.2. Scope and Limitation	5
<b><i>Chapter 2 LITERATURE REVIEW</i></b>	
Literature Review	7
<b><i>Chapter 3 HISTORY OF INTEREST RATE</i></b>	
3.0. Classical Theory	15
3.1. Loanable Funds Approach Theory	16
3.2. Monetarist Theories	16
<b><i>Chapter 4 OVERVIEW ON INTEREST RATE &amp; STOCK MARKET IN MALAYSIA.</i></b>	
4.0. Interest Rate Regulation In Malaysia	18
4.1. Factors That Influence The Level Of Interest Rate	20