



**THE FACTORS THAT INFLUENCE CURRENCY FLUCTUATION
IN MALAYSIA**

SITI ATIRAH BINTI HUSSIN

2015896176

BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MALACCA CITY CAMPUS

JANUARY 2018

ACKNOWLEDGEMENT

All praises to the Allah S.W.T for giving me the strength, courage, inspiration and patience for completing this study without any obstacles and within the time period. All the goodness is come from Allah S.W.T.

I would like to dedicate and express a sincere gratitude to Madam Shahreena Binti Daud who is an advisor for her supervision, encouragement, opinion, idea and provide a better insight regarding to this study. Her ideas, constructive criticism and ideas provided help me to have a better and in-depth knowledge, perception and information for this topic. Not to be forgotten, I like to give a big honor to Miss Amizatul Hawariah Binti Awang as my second examiner for further checking.

Not only that, special thanks given to those who are involve directly or indirectly for helping and give cooperation in obtaining information or knowledge regarding this topic. Special appreciation is given to my beloved family especially parents who never give up in supporting in term of moral and material, patience, understanding and sacrifice everything until this study is fully done. Not to forget, for my friends who are always provide related guidance, voluntarily in lending their time and help for this study.

Last but not least, thanks to Pejabat Daerah Segamat for giving me the opportunity to do a practical training which provide me a lot of new experience and knowledge on working environment. This opportunity helps me able to improve my skills which will useful in future.

Thank you very much.

TABLE OF CONTENT

CONTENT	PAGE
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xii

CHAPTER 1 RESEARCH OVERVIEW

1.1 Overview	1
1.2 Background of Study	1
1.3 Problem Statement	4
1.4 Research Questions	5
1.5 Research Objectives	5
1.6 Scope of Study	6
1.7 Significance of Study	6
1.8 Limitation of Study	7

1.9	Definition of Terms	7
------------	----------------------------	----------

CHAPTER 2 LITERATURE REVIEW

2.0	Overview	9
2.1	Theory Related to Study	
2.1.1	Currency Fluctuation	9
2.1.2	Interest Rate	10
2.1.3	Inflation Rate	12
2.2	Theoretical Framework	14
2.3	Hypothesis Statement	15

CHAPTER 3 RESEARCH METHODOLOGY

3.0	Overview	16
3.1	Research Design	16
3.2	Data Analysis	
3.2.1	E-views	18
3.2.2	Unit Root Test	19
3.2.3	Descriptive Test	19
3.2.4	Preliminary Analysis	20
3.2.5	Correlation Analysis	20
3.2.6	Autocorrelation Test	21
3.2.7	Ramsey Test	21
3.2.8	Heteroscedasticity Test	21
3.2.9	Ordinary Least Square (OLS)	22

ABSTRACT

The purpose of this study is to determine the factors that influence currency fluctuation in Malaysia. Since this currency in Malaysia becomes a serious issue in economic condition, as a researcher has made about Malaysia Ringgit with the US Dollar day by day. In the third Quarter in year 2016, the exchange rate is RM4.3742 to 1USD. It means that MYR is in decreasing value which is the lowest amount within 17 years since Asian crisis. It is also can be related to the bad financial condition in Malaysia. Different analyst has different opinions. Some have said the currency fluctuate is because global oil prices had been falling and some said because the market of China has been in decline. China is the second largest economic power after the US in the world. The variables that being used in this study are inflation rate and interest rate as independent variables while currency in Malaysia as dependent variable. This study used descriptive statistic, unit root test, regression using panel data and diagnostic test in order to test the hypothesis. The data is collected from first Quarter in year 2009 until second Quarter in year 2017. All these three variables show positive and significant effect towards currency in Malaysia. It means that all these variables are the factors that influence currency fluctuation in Malaysia. But, in diagnostic test there is autocorrelation problem. It means that the result from these findings might not be reliable to use in another period. This study is important since it will give knowledge towards the government, banking sector in order to make the decision on stability of the Malaysia Ringgit for a good economic Malaysia.