FACTORS AFFECTING ECONOMIC GROWTH IN MALAYSIA.

NURIZZATI SYAZWANI BINTI NORADZMI

2015859436

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

MARA UNIVERSITY OF TECHNOLOGY

CITY CAMPUS MELAKA

JULY 2017
DECLARATION

I hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) All contribution has been made by myself in completing the research project.

(4) The word count of this research report is 17,391 words.

Name of Student:                       Student ID:                       Signature:

1. NURIZZATI SYAZWANI                  2015859436                       ______________

BINTI NORADZMI

Date: ____________________________
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Contents</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copyright © 2017</td>
<td>i</td>
</tr>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>iv</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF GRAPHS</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>ix</td>
</tr>
<tr>
<td>PREFACE</td>
<td>xi</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>xii</td>
</tr>
</tbody>
</table>

## CHAPTER 1: RESEARCH OVERVIEW .............................................. 1

1.0 Introduction ............................................................................. 1

1.1 Research Background ................................................................ 2

1.1.1 Economic Growth in Malaysia ........................................... 5

1.2 Problem Statement ................................................................... 7

1.3 Research Objective .................................................................. 10

1.3.1 General Objective ........................................................... 10

1.3.2 Specific Objective ........................................................... 10

1.4 Research Questions .................................................................. 11

1.5 Hypotheses of the Study ....................................................... 11

1.6 Significance of the Study ..................................................... 12

1.7 Conclusion ............................................................................. 14
CHAPTER 2: LITERATURE REVIEW .................................................. 15
  2.0 Introduction ........................................................................... 15
  2.1 Review of the literature ......................................................... 15
    2.1.1 Economic Growth ......................................................... 15
    2.1.2 Export ......................................................................... 17
    2.1.3 Unemployment ............................................................. 19
    2.1.4 Population .................................................................. 21
    2.1.5 Inflation ...................................................................... 23
    2.1.6 Foreign Direct Investment ........................................... 25
  2.2 Conclusion ............................................................................ 27

CHAPTER 3: METHODOLOGY ....................................................... 28
  3.0 Introduction ........................................................................... 28
  3.1 Research Design .................................................................... 28
  3.2 Data Collection Methods ..................................................... 30
  3.3 Data Processing .................................................................... 31
  3.4 Theoretical Framework ....................................................... 32
  3.5 Data Analysis ....................................................................... 35
    3.5.1 EViews ......................................................................... 35
    3.5.2 Multiple Linear Regression ......................................... 35
    3.5.3 F - test Statistic ........................................................... 36
    3.5.4 T - test Statistic ........................................................... 37
    3.5.5 Diagnostic Checking .................................................... 37
      3.5.5.1 Model Specification and Normality Test .................. 38
      3.5.5.2 Multicollinearity ..................................................... 38
      3.5.5.3 Autocorrelation ..................................................... 39
      3.5.5.4 Heteroscedasticity ................................................ 39
ABSTRACT

Economic growth (GDP) plays an important role to ensure a better position of economic and positive image of a country. Malaysia's economic growth in terms of GDP (current US$) were declining in 1998, 2009, and 2015. The aim of this study is to examine the relationship between export, unemployment, population, inflation, and foreign direct investment (FDI) on economic growth of Malaysia by using the time series data the year of 1985 to 2015.

This study used secondary data to be run in the E-views software while the models that being used is Multiple Linear Regression to find the relationship between all independent variables and dependent variable. Based on the empirical result by unit root test, export has a positive and significant effect while inflation has positive but insignificant effect on economic growth. Meanwhile unemployment and population shows significant but has a negative relationship with GDP. Lastly, FDI shows that it has negative and insignificant effect with GDP. Therefore, this study might be useful for policy makers, investors and public.