

UNIVERSITI TEKNOLOGI MARA

**ECONOMIC GROWTH AND
UNEMPLOYMENT: AN EMPIRICAL
EVIDENCE FROM MALAYSIA**

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Thesis submitted in fulfillment of the requirement for
Bachelor of Business Administration (Hons) Business Economics
Faculty of Business Management

JUNE 2012

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PREFACE

As an initial contribution for this study, this paper has been presented at Colosseum Hall, UITM Sabah (The 4th Economic Conference 2011, Faculty of Business Administration (Hons) Business Economic, Universiti Teknologi Mara).

ABSTRACT

The economic growth is extremely important for the country to ensure the welfare and security of its people. A country that has shown an increase in the gross domestic product (GDP) proven that the countries is developing and it shows a good indication. Malaysia has an increasing value in GDP which shows a good indication towards its economy since its GDP is increasing year after year. However, severe unemployment would be detrimental to the country and it is very critical cases to be settled from ancient days. Unemployment is capable to causing economic collapse and cause the country to suffer, besides that, it may also result that the foreign countries might also feel the collapse. Therefore, this study aims to see the causal relationship between unemployment and economic growth. This study is using the annual data from 1982 to 2010 from Malaysia. The relationship between unemployment and economic growth will be tested by using the Unit Root Test models, co-integration, Vector Error Correction (VECM), and Granger Causality Causes.

Besides that, this research identifies the causal relationship between each of the independent variables towards the economic growth in Malaysia. The Unit Root Test results show the stationary of the variables used in the study. The co-integration and Vector Error Correction (VECM) identifies the short-term relationship between the independent variables with the dependent variable and long-term relationship between the independent variables with the dependent variable, respectively. The Granger Causality Causes tests will results whether the dependent variable has been affect by independent variables or have bilateral relationship among the variables. The results show how a significant relationship between them.