



**THE EFFECTIVENESS OF MONETARY AND FISCAL  
POLICY TOWARD ECONOMIC GROWTH IN  
MALAYSIA**

**RAZNIL BIN SAILI  
2011868704**

**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS  
(BUSINESS ECONOMICS)  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
KOTA KINABALU, SABAH**

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## TABLE OF CONTENT

PARTICULARS	PAGES
❖ TITLE PAGE	I
❖ DECLARATION OF ORIGINAL WORK	II
❖ LETTER OF TRANSMITTAL	III
❖ USE OF THE THESIS	IV
❖ ACKNOWLEDGEMENT	V
❖ PREFACE	VI
❖ TABLE OF CONTENT	VII-IX
❖ LIST OF FIGURES	X
❖ LIST OF TABLE	XI
❖ GLOSSARY	XII
❖ ABSTRACT	XIII
<b>CHAPTER 1 INTRODUCTION</b>	
1.0 Introduction	1-2
1.1 Background of Study	2-4
1.2 Problem Statement	5
1.3 Research Objective	5
1.4 Scope of Study	6
1.5 Limitation of Study	7

1.6 Significant of Study	8
1.7 Definition of Term	9
<b>CHAPTER 2 LITERATURE REVIEW AND THEORY</b>	
2.0 Introduction	10-11
2.1 Literature Review	11-16
2.2 Theoretical Framework	17
<b>CHAPTER 3 DATA AND METHODOLOGY</b>	
3.0 Introduction	18-19
3.1 Research Design	19
3.2 Data Collection Method	19-20
3.3 Procedure For Data Analysis	20
3.3.1 Multiple Regression Model	20-21
3.3.2 Correlation Test	22
3.3.3 Hypothesis Testing	23-24
3.3.4 Ordinary Least Square	24
3.3.5 Durbin -Watson	25
3.4 Hypothesis Statement	26



## ABSTRACT

This research paper focusing on the effectiveness of monetary and fiscal policy toward economic growth in Malaysia. This paper was done with the objective of finding out the relationship between monetary, fiscal policy and economic growth. Also finding out the effectiveness monetary and fiscal policy toward economic growth in Malaysia. This research using time series data (from 1977-2012) were sourced from World Bank Data. For Monetary policy this paper are using data of money and quasi money (M2) and for Fiscal Policy this paper use data of general government final consumption expenditure and the for economic growth are GDP constant LCU. The data were analyze using Ordinary Least Square (OLS). Based on the finding there is a positive relationship between money supply, government spending and economic growth. After that, the effect of monetary is stronger than fiscal policy toward economic growth. Even though monetary policy is more effective than fiscal policy. The Government should imply the suitable policies based on specific economic situation. In addition the combination between this two, monetary and fiscal policy is highly recommended for the economic growth.

**Keywords:** Monetary policy, Fiscal policy and Economic Growth