



**THE DETERMINANTS OF ECONOMIC GROWTH IN
MALAYSIA**

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ABSTRACT

Economic growth is one of the key performance measures of the growth and development of the national economy (Lai, 2003). In this study, the proxy are used to measure the economic growth in Malaysia is a Real Gross Domestic Product (RGDP). The objectives of this study is to identify the determinants of economic growth in Malaysia by analyzing historical data from Data Stream, Bank Negara Malaysia, EIU Country Data and other relation data to investigate which determinants have significant to the economic growth. Data are collected from year 1983 until year 2014 to this study. Methodology used for this study is multiple linear regressions with time series data. Thereafter, econometric tests are to be conducted to view the relationship of the macroeconomic variables to economic growth in Malaysia. From the finding, there have different significant findings among the determinants of economic growth which some of the determinants have positive and negative relation towards to economic growth. Economic growth is positively affected by imports and inflation while exports in the sample period have negative impacts on economic growth and government expenditures have no impacts on economic growth. The significance of doing this research is the investor and government can apply some information in this study as a reference to construct a future plan for this country. Another than that, the exporter and importer need to know our country economy condition because they need to expect the number of the product they need to produce and import from another country. Lastly, additional studies appeared to be needed in order to explain the impact of other important factors which affect the economic development in Malaysia.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

In this chapter will be discuss the background of study, problem statement, research question, research objective, significant of study, scope of study, limitations of study and definition of term and summary in Chapter 1. This research is focused on the determinants of economic growth in Malaysia. In background of study, this research will discuss about dependent and independent variables. Dependent variable in our study is economy growth and the independent variables are export, import, inflation (consumer price index) and government expenditure. This whole sub topic will act as a guidance to stay away from any confusing for the purpose stated earlier.

1.2 BACKGROUND OF STUDY

Economic stability is given special attention by various countries. This is because a stable economy portrays a positive image and good economic positioning. Countries that have continuous strong economic growth have been able to diminish poverty, support political stability, develop the quality of their environment and lessen conflict and crime. The Gross Domestic Product (GDP) plays a important role towards economy mainly to determine Malaysia economy. Gross Domestic Product (GDP) generally is defined as the monetary value of all the finished goods and services produced within a country's borders in a specific time period (Investopedia, 2015).

The Prime Minister of Malaysia, Datuk Seri Najib Tun Razak in the Star Online (June 12, 2014) said "The nation's economy has shown encouraging trends for the first quarter of 2014, where Gross Domestic Product (GDP) recorded a growth of 6.2%, which is the highest growth since the fourth-quarter of 2012," Datuk Seri Najib also added that the nation's economic growth was much better than that of neighboring countries such as Philippines which had recorded 5.7%, Indonesia (5.2%), Singapore (5.1%) and Thailand (-0.1%). This research focuses on what are the determinants factors of economic growth