



**A STUDY ON KEY DETERMINANTS OF ECONOMIC GROWTH IN  
MALAYSIA: FOREIGN DIRECT INVESTMENT, INFLATION RATE,  
INTEREST RATE, TRADE OPENNESS AND UNEMPLOYMENT.**

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**BACHELOR OF BUSINESS ADMINISTRATION  
WITH HONOURS (FINANCE)  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
MELAKA CAWANGAN  
KAMPUS BANDARAYA**

**JULY 2018**

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FOREIGN DIRECT INVESTMENT, INFLATION RATE, INTEREST RATE, TRADE  
OPENNESS AND UNEMPLOYMENT

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Submitted in Partial Fulfillment of the  
Requirement for the  
Bachelor of Business Administration with Honours (Finance)

FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
MELAKA CAWANGAN  
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JULY 2018

## DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION  
WITH HONOURS (FINANCE)  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
“DECLARATION OF ORIGINAL WORK”**

I, Fatin Nabila binti Shaharuddin, (I/C Number: 951130-14-6416)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of our information have been specifically acknowledged.

Signature: \_\_\_\_\_  
(Fatin Nabila binti Shaharuddin)

Date: \_\_\_\_\_

## LETTER OF SUBMISSION

5<sup>th</sup> JULY 2018

Madam Hazalinda binti Harun,  
Bachelor of Business Administration (Hons.) Finance  
Faculty of Business Management  
Universiti Teknologi Mara (UiTM)  
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75300 Melaka

Dear Sir/Madam,

### **Submission of Final Project Paper**

Attached is the project paper titled “**A Study on Key Determinants of Economic Growth in Malaysia: Foreign Direct Investment, Inflation Rate, Interest Rate, Trade Openness and Unemployment**” to fulfill the requirement needed by the Faculty of Business Administration, Universiti Teknologi MARA (UiTM).

Thank You.

Sincerely,

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Fatin Nabila binti Shaharuddin

Bachelor of Business Administration (Hons.) Finance

## ABSTRACT

Economic growth in Malaysia has always been inconsistent over the time and it is affected due to factors that influence its growth rate. This study is conducted to determine the relationship between independent variables such as foreign direct investment, inflation rate, interest rate, trade openness and unemployment towards economic growth in Malaysia. The annual time series data were obtained from Thomson Reuters DataStream and this study covers the period between 1987 until 2017. The tools applied to estimate the relationship between dependent variable and independent variables is Linear Regression Model. Overall findings based on Multiple Linear regression, the result concludes that foreign direct investment, inflation rate and interest rate has statistically significant impact towards economic growth in Malaysia with positive correlation except for inflation rate with negative relationship. However, trade openness and unemployment were found to be insignificantly impactful with positive correlation. Theoretically, interest rate and unemployment would bring negative impact towards economic growth, but this paper provides different results where both independent variable has positive relationship with economic growth. Based on the results, recommendations are made for policymakers and economist to help them in mapping out suitable policies that will sustain economic growth for the long run.

**Keywords:** *Economic Growth, Foreign Direct Investment, Inflation Rate, Interest Rate, Trade Openness, Unemployment, Regression Model*