UNIVERSITI TEKNOLOGI MARA

THE EFFECT OF GOVERNMENT EXPENDITURE ON ECONOMIC GROWTH – EVIDENCE FROM CHINA

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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The China's country became the world's second largest economy after China's economy experienced shocking growth in the last few decades. China's sudden rise over the past half century is one of the most outstanding examples of effect of opening an economy up to global markets and China's development from a centrally planned to a market-based economy has led to transformations of the government expenditures policies. The relationship between government expenditure and economic growth has continued for decades to involve series of discussion among researchers and policy makers. Many empirical studies were carried out to examine the effect of government expenditure on economic growth and the results are varied which some concludes that it had positive relationship between the government expenditure and economic growth, while some argued there was no relationship. The independent variable is the government expenditure which includes agriculture expenditure, manufacturing expenditure and transportation expenditure. The dependent variable is the economic growth which based on the GDP. The research is going to be conducted by using the Ordinary Least Square (OLS) method with the time series data which the range of the data are taken from January 2002 to December 2016 (quarterly). Based on previous research, there is a significant positive and negative relationship between the agriculture expenditure, manufacturing expenditure and transportation expenditure and GDP. However, some of the studies conclude that there is no significant relationship between the government expenditure and GDP.

Keywords : Government Expenditure, Agriculture Expenditure, Manufacturing Expenditure, Transportation Expenditure, Economic Growth, Gross Domestic Products.

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