



**“A STUDY ON THE RELATIONSHIP BETWEEN ECONOMIC
GROWTH, POPULATION AND INFLATION WITH POVERTY IN
MALAYSIA “**

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ABSTRACT

The purpose of this study is to determine the relationship between economic growth, population and inflation with poverty in Malaysia. Gross Domestic Product (GDP) as a proxy of economic growth, population measured by number of population in Malaysia, Consumer Price Index (CPI) as a proxy of inflation and poverty is measured by incidence of poverty in Malaysia. The scope of the study covers 31 years commencing from 1975 until 2005. The data is collected yearly, apart from that, secondary sources are also used. This study uses two methods of analyzing which are Single Linear Regression Model and Multiple Linear Regression Model. The Single Linear Regression Model is used to determine the relationship between one dependent variable with one independent variable while the Multiple Linear Regression Model is used to determine the relationship between one dependent variable with three independent variables. Based on Single Model, economic growth and population have significant relationships with poverty while inflation does not. Based on Multiple Model, only population is significant with poverty.

1.0 INTRODUCTION

1.1.1 Definition of Poverty

In Malaysia, poverty is generally categorized in terms of the two broad concepts of poverty conventionally used which are absolute poverty and relative poverty. The concept of hardcore poverty was introduced in 1989 to give special consideration to the position of the very poor.

Absolute poverty refers to a condition in which the gross monthly income of a household is insufficient to purchase certain necessities of life that has been measured on the basis of a minimum expenditure level or the poverty line income (PLI).

PLI is defined as an income sufficient to purchase a minimum food basket to maintain household members in good nutritional health and other basic needs such as clothing and footwear, rent, fuel and power, transport and communications, healthcare, education and recreation. The PLI is updated annually on the basis of the Consumer Price Index.

Relative poverty refers to the incidence of poverty measured in terms of inequality between groups. It is measured by using income disparity ratios