



**AN EMPIRICAL ANALYSIS OF THE MALAYSIAN ECONOMIC  
GROWTH AND ITS DETERMINANT**

**MAZONA BT. ANUAR**  
**2009432382**

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

**JUNE 2012**

## Table of Content

PARTICULARS	PAGES
Letter of Transmittal	i
Declaration	ii
Use of Study	iii
Preface	iv
Table of Content	vi
List of Figure	viii
List of Table	ix
Glossary	x
Acknowledgement	xi
Abstract	xi
<b>CHAPTER 1</b>	<b>1</b>
<b>INTRODUCTION</b>	
1.0    Background of Study	2
1.1    Problem Statement	3
1.2    Research Objective	3
1.3    Significant of Study	3
1.4    Limitation of Study	4
1.5    Organization of the Research	4
<b>CHAPTER 2</b>	<b>7</b>
<b>LITERATURE REVIEW AND THEORY</b>	
2.0    Introduction	8
2.1    Literature Review	8
2.2    Theoretical Framework	12
<b>CHAPTER 3</b>	<b>13</b>

DATA AND METHODOLOGY	
3.0 Introduction	14
3.1 Data	14
3.2 Ordinary Least Square	14
3.3 Unit Root test	15
3.4 Co-integration Johansen test	16
3.5 Granger Causality Test	17
3.6 Statistical Software Use	17
3.7 Hypothesis	18
3.8 Summary of Chapter	18
CHAPTER 4	
RESULT AND FINDINGS	19
4.0 Introduction	20
4.1 Descriptive Statistic and Findings	
4.1.1 Ordinary Least Square	20
4.1.2 Transformation the Data into Logarithm	21
4.1.3 Unit Root test	23
4.1.4 Co-integration Johansen test	24
4.1.5 Granger Causality Cause	25
4.2 Summary of chapter	26
CHAPTER 5	27
CONCLUSION AND RECOMMENDATION	
REFERENCES	29
APPENDIXES	33

## ACKNOWLEDGEMENT

### **Bismillahirrahmanirahim**

#### **“In the name of Allah the compassionate the mercifully”**

First of all, appreciation and thank you to Allah S.W.T. that always gives me opportunity to do this paper as well as I can. Allah has mercy that gives me health and enough energy to complete this paper become well.

Besides, I would like to thank to my advisor Mr HylmeeMatahir for the valuable guidance and advice. He always gives me advice and work hard to teach me became well in my research. Thank you for thousand words that he shares every knowledge and experience to construct a good thesis to me and hopefully can accept my precious work with better mark.

Other than that, my family that always give me support and wishes for the best to me, and also supporting me in financial and advices, thanks so much. It is also a pleasure to thank to all my friend that always support me to do this research and teach me to understand that particular part that I unclear in my research.

## Abstract

The objective of this research is to investigate the factors that stimulate and maintain economic growth. In addition, this study will also look into the possible effects of combined determinant variables towards economic growth. The determinant factors studied are export (X), consumption expenditure (CE), foreign direct investment (FDI) and investment (I) in Malaysia from the year 1981 to 2010. The methodologies that we used are unit root test, ordinary least square (OLS), co-integration Johansen and granger causality test. The results of this study show that there exists long-run co-integration and short-run causal relationships between economic growth and the independent variables. Findings also show that all the determinant factors cause economic growth in the long-run. The study concludes that investment and export play important roles as determinant factors to economic growth, and consumption expenditure and foreign direct investment may have a role as a catalyst and complement determinant factors to economic growth in Malaysia.

**Keywords:** Economic growth, determinant variables, Malaysia, Gross Domestic Product (GDP), Unit Root Test, OLS, Co-integration Johansen, Granger Causality