



DETERMINANTS OF GDP CONTRIBUTED BY SMEs

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JUNE 2016

ACKNOWLEDGEMENT

Assalamualaikum W.B.T. Alhamdulillah, all praises and thank to His Almighty and His Utmost blessings, for giving us strength and chance to successfully accomplish to complete our final project report within the time duration given. I, hereby, give all of my gratitude for all the inspiration and guidance provided by UiTM staffs, and fellow members.

I take this opportunity to express my profound gratitude and deep regards to my advisor Mrs Nor Fariza Ali for her exemplary guidance, monitoring and constant encouragement throughout the course of this thesis. The blessing, help and guidance given by her time to time shall carry me a long way in the journey of life on which I am about to embark. I also take this opportunity to express a deep sense of gratitude to Mr Syamsul for his cordial support, valuable information and guidance, which helped us in completing this task through various stages.

For my beloved family, great thanks for their unconditional support in term of moral, financial and always pray for my success. I also want to thanks my friends for giving me advices and support. Last but not least, thanks again to all the people who help me directly and indirectly throughout this whole period in order to finish this research for attention to detail and genuine suggestions. We pray that God will bless you all for your absolute kindness and support. Thank you.

ABSTRACT

Malaysia economy have been hit by the turbulence for a past few years starting from the world financial crisis in 2008 and now showing lot of decreasing in growth when oil price have falling down and thus weakening the currency of Ringgit Malaysia. From the study of the experts the economy will continue to have its tough time but only the country with strong economic condition will survive. The SME sector have been accepted as the engine of economic growth and also poverty eradication globally although the definition of SMEs in every country is different but the differences does not have huge gap between each other. In country like UK, US, Kenya, Pakistan, India, Taiwan, Korea and many other countries considered SMEs as backbone for the economic growth in developing as well the developing nations. In order to achieve Wawasan 2020 vision, Malaysia can take these countries' economic growth as example to change and strengthen the economy in this country. SMEs does have barriers and challenges as well but the profit and revenue also the development will give a huge favour to country. Hence, this aim of this study was to determine the factors that influence in Gross Domestic Product (GDP) contributed by Small and Medium Enterprises (SME) in Malaysia. This study has looked at the various factors which contribute on SMEs such as labor wages, unemployment rate, net export and also inflation rate. This research using secondary data and the results obtained were analysed using regression analysis. This study recommends how the Malaysian SME's can improve their performance and contribute to the national production furthermore SME's concern to this factors and enhance their performance towards the Malaysian 2020 vision.

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CHAPTER 1 : INTRODUCTION

1.0 INTRODUCTION

In the world of economic, Malaysia has been progressing from day to day in order to achieve the vision of Wawasan 2020 where it is only left another 4 years. In order to improve, the Prime Minister of Malaysia, Dato' Seri Najib Abdul Razak has passionately encourage entrepreneurs and citizens to join in Small and Medium enterprises (SMEs). As a matter of fact, every successful firms and business is come from the small and medium enterprises. In addition, Dato' Seri Najib Razak also have signed an agreement with another 11 countries such as United States of America, Korea, New Zealand, Brunei, Canada, Chile, Vietnam, Peru, Singapore, Mexico and Japan in Trans Pacific Partnership Agreement. The agreement allowing all countries to have full liberalization of duties of goods and services. Although SMEs have little impact from the agreement but it somehow boost the economy of SMEs in Malaysia.

SME Corp has stated Malaysia aims to hit 42% SME contribution to the country's Growth Domestic Product by 2020. Datuk Dr Hafsah Hashim, SME Corp Chief Executive Director clarified that SME's are vital economic agents for Malaysia based on its GDP contribution of 35.9% in 2014. The percentage is also above the benchmark that they have set for a developing nation status for SME. In additional, Dr Hafsah also stated that by the year 2020, SME Corp will strive to contribute 42% GDP, 62% employment and 25% exports contribution for Malaysia as a solid effort and anticipation of SME's development and capacity building area. In additional, Asia is the largest and most populous continent where Asia has been home to 4.4 billion with a working age that has