



**THE RELATIONSHIP BETWEEN SELECTED  
MACROECONOMIC VARIABLES TOWARDS ECONOMIC  
GROWTH IN MALAYSIA**

**(2006 – 2015)**

**SITI RUZANA BINTI JAMALUS**

**2014581587**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) (FINANCE)**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITY TEKNOLOGI MARA**

**MALACCA CITY CAMPUS**

**JANUARY 2016**

## **ACKNOWLEDGMENTS**

*In the name of Allah, the Most Compassionate, the Most Merciful*

Praise be to Allah the Al-Mighty for giving me the strength and patience to complete this study within the period given.

I wish to express my sincere gratitude to my advisor, Madam Shahreena Daud, for her continuous encouragement, invaluable suggestions, patient guidance and supporting me with kindness, sympathy and academic enthusiasm. Her forceful comments and meticulous directions were a constant source of inspiration to my research that immensely improved the quality of this project paper. I also would express my profound appreciation to my second advisor Miss Nurhaslinda Hashim for her comments and guidance to fulfil this requirement in completing this project paper.

I also would like to take this opportunity to deliver my deepest indebtedness to my parents for their patience, support and guidance for this research.

Not forget, great appreciation go to the rest of my friends that help me from time to time during the research. The whole research really brought us together to appreciate the true value of friendship and respect of each other.

Apart from that, I hope that all the information and data that I have gathered here will increase the knowledge of anyone who will be accessing it regarding the study on the “The Relationship between Selected Macroeconomic Variables towards Economic Growth in Malaysia”. It would be a great honour to us if it is used as a reference or for any other good cause.

Finally, I would like to extend this appreciation to all that have directly and indirectly contributed invaluable assistance, cooperation and support in the completion of this research.

## TABLE OF CONTENTS

TITLE PAGE	Page
DECLARATION OF ORIGINAL WORK	I
LETTER OF SUBMISSION	Ii
ACKNOWLEDGEMENT	Iii
TABLE OF CONTENTS	Iv
LIST OF TABLE	Vii
LIST OF FIGURES	Viii
LIST OF ABBREVIATIONS	Ix
ABSTRACT	X
CHAPTER 1 – INTRODUCTION	
1.0 Introduction	1
1.1 Background of Study	2
1.2 Problem Statement	5
1.3 Reseach Objective	7
1.4 Research Question	8
1.5 Hypothesis of Study	9
1.6 Significant of Study	10
1.7 Scope of Study	10
1.8 Limitation of Study	11
1.9 Conclusion	12
CHAPTER 2 - LITERATURE REVIEW	
2.0 Introduction	13
2.1 Reviwe of Literature	14
2.1.1 Economic Growth	14
2.1.2 Debt	15
2.1.3 Inflation Rate	18
2.1.4 Interest Rate	19
2.2 Theoritcal Framework	20
2.3 Conclusion	21

## CHAPTER 3 - RESEARCH METHODOLOGY

3.0	Introduction	22
3.1	Research Design	23
3.2	Data Collection Method	24
3.3	Background of Model	25
3.3.1	Simple Linear Regression	25
3.3.2	Multiple Linear Regression	25
3.4	Empirical Model	26
3.4.1	Simple Linear Regression	26
3.4.2	Multiple Linear Regression	28
3.5	Data Analysis	30
3.5.1	Descriptive Test	31
3.5.2	Unit Root Test	31
3.5.1.1	Augmented Dickey-Fuller	32
3.5.1.2	Phillip-Perron	32
3.5.3	Normality Test	32
3.5.3.1	Jarque-Bera	33
3.5.4	T-test and F-test	33
3.5.5	Ordinary Least Square	34
3.5.6	Diagnostic Test	35
3.6	Conclusion	36

## CHAPTER 4 - FINDINGS AND RESULTS

4.0	Introduction	37
4.1	Unit Root Test	38
4.1.1	Augmented Dickey-Fuller	38
4.1.2	Phillip-Perron	39
4.2	Normality Test	40
4.2.1	Jarque-Bera	40
4.3	Descriptive Test	41
4.4	Correlation	44
4.5	Finding Empirical Model	45
4.5.1	Simple Linear Regression	45
4.5.1.1	Empirical Model 1	45
4.5.1.2	Empirical Model 2	49
4.5.1.3	Empirical Model 3	52
4.5.2	Multiple Linear Regression	56
4.5.2.1	Empirical Model 4	56
4.5.3	Result on Correlation Analysis between Independent Variable	61
4.6	Model Selection	62
4.7	Conclusion	63

## **ABSTRACT**

The aim of this study is to investigate the relationship between macroeconomic variables which consist of debt, inflation rate and interest rate towards the economic growth in Malaysia. The study used Simple Linear Regression and Multiple Linear Regression in order to find the relationship among independent variables and dependent variable. The data is collected from year 2006 until 2015 and conduct in quarterly basis. From the result, it reveals that debt have negatively insignificant relationship towards economic growth in Malaysia. However, inflation rate have positively significant relationship towards economic growth while interest rates have positively insignificant relationship towards economic growth in Malaysia. These results give additional understanding of the relationship between the selected macroeconomic variables and economic growth and should be useful for regulator, investor and speculator.