



DETERMINANTS OF ECONOMIC PERFORMANCE IN MALAYSIA

AMEERA ELYNA BINTI AZMI

2015115665

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MALACCA CITY CAMPUS

JANUARY 2018

ACKNOWLEDGEMENT

In the name of Allah and the most Beneficent and the most Merciful

Praise to Allah S.W.T the Lord of the universe, for the wisdom, strength and blessings given to me in completing this project paper. Peace and blessing of Allah upon His Messenger, Muhammad S.A.W

First and foremost, I would like to give my appreciation towards my advisor, Madam Zunaidah Bt Abu Hasan and Sir Ahmad Syaifulizan B Zul Keefly for helping me throughout the process of finishing my project paper. Madam and Sir has made a significant contribution and provided me with their analytical skill and timely response for the completion of this study.

My special thanks goes to the member under the same advisor, Nor Farahanis Nadia Bt Mohd Yusop, Norehan Bt Ahmad Nasir, Nabila Hanis Bt Abdul Rahman and other members which directly and indirectly involve in giving fully corporation and commitment by providing valuable information in making this study possible.

I also wish to convey a special gratitude towards my supervisor in my workplace Rakyat Travel Sdn Bhd, Ahmad Farhan Syahmy B. Mohd Zan. He has guided me throughout the process and given the permission regarding project paper. His kindness is much appreciated.

Last but not least, a very special thanks to my mother for her endless support as well as to my entire classmate (BM242 6C), students of BBA (Hons) Finance. Thank you so much for sharing all the experiences. My project paper might not be completed without cooperation received by the student.

ABSTRACT

This study examine the relationship between economy performance that are measured by Gross Domestic Product (GDP) towards its independent variable which is government debt (GVDEBT), foreign direct investment (FDI) and Trade Openness (TO) with 30 years annual time series observation starting in 1987 until 2016. This paper examines the relationship by using Autoregressive Distributed Lad (ARDL) test, this study also used Augmented Dickey-Fuller (ADF) and Philips-Perron (PP) test in order to have a better outcome in identifying the relationship between the variables.

In the ADF and PP test shows that government debt have negative and insignificant relationship towards economy growth for long run however a short run result a negative but significant relationship between the variables in the country. Foreign direct investment are found to have a negative and significant relationship to economy performance in Malaysia on long-term. A negative and insignificant relationship appears when there is a short-term relationship between FDI and the economy performance. The last variable indicate that there os a positive relationship between trade openness and economy performance measured by gross domestics product significantly for both short run and long run.

Keywords: Economy performance, gross domestic product, government debt, foreign direct investment, trade openness.

TABLE OF CONTENT

CONTENT	PAGE
DECLARATION OF ORIGINAL WORK	i
LETTER OF SUBMISSION	ii
ACKNOWLEDMENT	iii
LIST OF FIGURES	iv
LIST OF TABLES	v
LIST OF ABBREVIATIONS	vi
ABSTRACT	vii
CHAPTER 1 RESEARCH OVERVIEW	
1.0 Introduction	1
1.1 Research Background	2
1.2 Problem Statement	4
1.3 Research Objectives	6
1.4 Research Question	7
1.5 Significance of Study	8
1.6 Scope of Study	9
1.7 Limitation of Study	10
1.8 Definitions of Terms	11
1.9 Conclusion	15

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction	16
2.1 Economy Performance in Malaysia	17
2.2 Government Debt	21
2.3 Foreign Direct Investment	26
2.4 Trade Openness	32
2.5 Theoretical Framework	37
2.6 Hypothesis	38
2.7 Conclusion	39

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction	40
3.1 Data Preparation	40
3.1.1 Collecting Data	40
3.1.2 Data Processing	41
3.2 Data Analysis	42
3.3 Estimation Technique	42
3.3.1 Unit Root Test	44
3.3.2 Autoregressive Distributed Lag (ARDL) Cointegration for Time Series Analysis	48
3.3.3 Diagnostic Test	52
3.4 Sources of Data	57
3.5 Conclusion	58