UNIVERSITI TEKNOLOGI MARA

FACTORS AFFECTING GROSS DOMESTIC PRODUCT (GDP) IN MALAYSIA ECONOMY

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ABSTRACT

Growth of the Gross Domestic Product (GDP) has always been considered as a contemporary subject that many researchers have studied. Previous research has linked a variety of factors to economic growth fluctuations in varied degrees. Inconsistent GDP per capita growth within a country will result in a higher incidence of poverty, as well as stymie advances in health, education, crime, and economic growth. The elements that contribute to GDP growth are quite important in preventing socio-political instability. In this study, we will research the Gross Domestic Product (GDP) in Malaysia with these factors which are inflation, Foreign Direct Investment (FDI) and Female Labor Force. Annual time series data for the 1999 to 2019 periods, the Ordinary Least Square Method (OLS), T-test, F-test and Coefficient of Determination are used for the analysis.

Keywords: *Malaysia economy, GDP, Inflation, FDI, Female Labor Force, OLS, T-test, F-test,* R^2.

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CHAPTER 1: INTRODUCTION

1.1 *Introduction*

Malaysia is a prosperous Asian developing country on its way to becoming a developed nation. The economy of the country has been shifting away from agriculture and toward a more diverse economy (Raja & Amalina, 2017). To explain the cause of economic growth, economists have employed both theory and empirical investigation (Upreti, 2015). According to the International Monetary Fund (IMF) 2020, Malaysia's economy is the fourth largest in South Asia. It is also the 36th largest economy in the world. Economic growth contributes significantly to well and fortune of trillions of people around the world. According to the Global Competitive Report 2021, Malaysia's economy is the world's 27th most competitive. Furthermore, the manufacturing sector has developed greatly in recent years, according to the World Bank, generating a high GDP of 22.308 percent of GDP and 57.1 percent of total exports. Meanwhile, the service sector has surpassed manufacturing as the largest sector, accounting for 54 percent of GDP.

Many studies have always considered GDP growth to be a current concern. The factors that contribute to GDP growth play a significant role in preventing socio-political instability (Raja & Amalina, 2017). There has been very little empirical research in recent years that specifically investigates factors that affect GDP in Malaysia. Studies based on events from hundreds of years ago may no longer be valid because economic growth is such a dynamic process. Technological breakthroughs have altered the way countries strengthen their economy in the previous several decades (Upreti, 2015). More research and case studies in Malaysia will be encouraged because of this study, from which other countries might learn and benefit. The data demonstrated to some extent, the elements that affect economic growth were consistent overall when analyzed using an Ordinary Least Squares (OLS) model (Upreti, 2015). It also discovered that a lack of trustworthy data had made the process difficult but that it had also opened the door to numerous future possibilities (Upreti, 2015). There should be more empirical study on Malaysia economy.