



UNIVERSITI TEKNOLOGI MARA

**ANALYZING THE RELATIONSHIP BETWEEN
GOVERNMENT EXPENDITURE ON ECONOMIC
GROWTH: A CASE STUDY OF MALAYSIA**

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ABSTRACT

Government expenditures include all public sector purchases and services in areas such as education, health, social security, and defence (CFI, 2018). Government expenditures enable governments to produce or purchase commodities and services needed to achieve social and economic objectives. Globally, governments have changed dramatically in function and size over time. In the twentieth century, governments worldwide began spending more money on education, healthcare, and social security. Currently, wealthier governments spend more of their GDP than poor ones. Other than that, most of the governments rely on the private sector to develop and manage products and services, as well as fund, plan, build, and manage public-private partnerships. Government expenditure is intended to provide products and services that the private sector cannot deliver, such as defence, roads, and bridges, as well as welfare payments and benefits. Moreover, government funding can help financially disadvantaged sectors operate or thrive. Finally, greater government spending on education and training is essential to boost worker productivity. This paper will analyse the relationship of government expenditure to the economy growth rate and also some other variable is included to complete the equation which is inflation rate, interest rate, export and unemployment. The data collection that will be uses to run this study is from 2005 to 2021. Therefore, the present study is wants to find out at government expenditure, inflation rate, interest rate, export and unemployment rate will give significant relationship to the Malaysia economic growth and we would also like to know that whether larger government expenditure can give a huge relationship to the economic growth for Malaysia.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This proposal is proposed to analyzing the relationship between government expenditure on economic growth: a case study of Malaysia. In this chapter, we will be discussing more about the government expenditure, economic growth and some other microeconomic variable that will be used in the study. This chapter covers the background of the study, problem statement, research objectives, research question, significant of the work, scope of work, research methodology and finally the key of term that used in this study.

1.2 Research Background

Government expenditure is the sum of all the money spent by the public sector on various acquisitions of products and the provision of services in areas like as education, health care, social security, and defence (CFI, 2018). In order to achieve the government's social and economic objectives, governments must spend money to create products and services or buy goods and services. Government spending is necessary to accomplish these objectives. The purpose and scale of governments throughout the world have changed dramatically over the years, as we've seen. When governments all around the globe began to spend more money on education, healthcare, and social security in the twentieth century, public expenditure soared dramatically. At the moment, governments in wealthy nations spend a greater proportion of their Gross Domestic Product (GDP) than governments in underdeveloped countries. Governments throughout the globe depend on the private sector to create and administer a country's products and services, as well as to fund, design, construct, and run infrastructure projects that are part of public-private partnerships.

The purposes of government expenditure are existed which is to provide products and services that are not provided by the private sector, such as defence, roads, and bridges; merit goods, such as hospitals and schools; and welfare payments and benefits, such as unemployment and disability compensation. Other than that,