



**UNIVERSITI TEKNOLOGI MARA**

**THE DETERMINANTS THAT  
INFLUENCE MALAYSIAN INCOME**

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## ABSTRACT

This paper is primarily interested to investigate the determinants that influence Malaysian from the year 1991 to 2020. The specific question that is addressed in this study is whether the determinants can influence and give impacts on Malaysian income in a short run and long run. The independent variables that were chosen in the research are exchange rate (ER), inflation rate (INF), interest rate (IR) and government expenditure (GE) while economic growth (GDP) would be the dependent variable. This paper utilized the Ordinary Least Squares (OLS) regression method in determining the significance of the independent variable influence Malaysian income. The descriptive test, correlation test, multicollinearity, heteroskedasticity, and regression analysis were also employed. The data used in the study collected from DataStream and The World Bank.

Keywords: Economic Growth, Inflation Rate, Exchange Rate, Interest Rate, Government Expenditure, Malaysia.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Introduction

Economic growth is defined as a rise in the country's actual output of goods and services. Additionally, it is described as the process of growing the size of national economies, macroeconomic indicators, most notably GDP per capita (Alina, 2012). Economic growth can be positive, negative, or zero in one sense or the other. Growth is a quantitative term that refers to a progressive growth in one of the components of Gross Domestic Product. Malaysia has been a prosperous growing country in Asia and is now advancing toward being a developed nation in its own right. Malaysia is now set to embrace a diverse economy following its shift from an agrarian to an industrial economy. The industrial and service industries dominated Malaysia's economy, while the agriculture sector's contribution to economic growth seemed to be negligible. Malaysia is committed to achieving its aim of being a high-income developed country and maintains an open economy based on exports (Fauzi, Norazrul & Mohd, 2010).

Malaysia has seen significant steady growth over the last three decades, averaging 5.8 percent each year (Bank Negara Malaysia, 2013). Since gaining independence from the British in 1957, the country has amassed impressive records of social and economic growth. Malaysia's government has implemented a variety of policies, including the New Economic Policy 1970, the New Economic Model (NEM), the Tenth Malaysia Plan (10MP), and the Economic Transformation Programme (ETP), to guide the country toward its vision (Raja & Amalina, 2017). The country's Gross Domestic Product (GDP) is consistent with the global economy's ups and downs. A country's economy requires a specific amount of capital to generate production and maintain economic progress (Lee & Ng, 2015).