



**RELATIONSHIPS OF ECONOMIC GROWTH: EVIDENCE
FROM MALAYSIA**

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ABSTRACT

This paper was study the influencing factor that has a relationship with economy growth in Malaysia. The influencing factors studied are inflation, government expenditure, export and foreign direct investment in Malaysia from year 1983 to 2013. This study is secondary data and uses Ordinary Least Square method (OLS) in analyze all the data on the relationship between economy growth and the entire influencing factor. Overall, findings show that not all the factor has a relationship with the economy growth. From all the factor use, only foreign direct investment has a relationship with economy growth. While inflation, government expenditure and export was show no relationship with economy growth. The study conclude that foreign direct investment play important role as influencing factor toward economy growth rather than inflation, government expenditure and export.

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CHAPTER 1: INTRODUCTION

1.0 Overview Of The Study

The importance of economic growth cannot be overstated. Income growth is essential for achieving economic, social, and even political development. Countries that grow strongly and for sustained periods of time are able to reduce their poverty levels significantly, strengthen their democratic and political stability, improve the quality of their natural environment, and even diminish the incidence of crime and violence.

The level of income in an economy in any point time represents the accumulated growth in incomes over time. So, investigating what produces higher incomes is really investigating the determinant of economic growth. But the investigation is complicated by the fact that country experiences with growth are enormously varied and often confusing.

1.1 Background Of The Study

Malaysia is a rapidly developing economy in Asia. And this country is a highly open upper-middle income economy. Malaysia, a middle-income country has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. This study focuses on what are the determinants of economic growth in Malaysia. *Malaysia had been rapidly shifting its economic from period of time, and this research will make a deeper understanding the factor determinant of economic growth in Malaysia.* The purpose of this study is to determine the determinants towards the economic growth in Malaysia. From this study the independent variable provides is inflation, government expenditure, and export. The reason of this study is because of determinants keep on changing and will affect the performance of economic.