



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF GROSS DOMESTIC SAVINGS
IN MALAYSIA**

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ABSTRACT

The aim of this study is to analyse the determinants of gross domestic savings in Malaysia. This study used four determinants of gross domestic savings such as inflation, economic growth, age dependency ratio and money supply. The time period that is used to study the determinants of gross domestic savings is for 31 years from 1986 to 2016. This study focuses only in Malaysia as subject of study. All data is collected from the World Bank and Bank Negara Malaysia. Unit root test such as ADF, PP and KPSS are used to determine the stationarity of data. From the findings, inflation and economic growth have positive and significant impact on gross domestic saving while age dependency ratio and money supply have negative and insignificant relationship towards gross domestic savings.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, researcher will explain the background of the study which is the gross domestic savings in Malaysia. This will include the definition of gross domestic savings and its role and impact on economy. Then, researcher will discuss the issue regarding this study in the problem statement. Several previous studies will be included in the problem statement in order to analyse the gap between the studies. The objectives of the research and the research questions will be determined in this chapter. Besides, researcher will state the significance of study and the limitation researcher faces in the study.

1.2 Background of study

Saving can be define as extra income that is not use for any consumption and it is being saves in household and financial institution (Hashim, Pin, & Mohd Isa, 2017). Saving rate is the amount of money in percentage that a person or businesses save for the future either in savings account, treasury bills, savings bond or fixed deposit. People save some of their earnings so that they can use it for emergency, precautionary, retirement or for any other consumption in the future. When households and businesses save in savings account, fixed deposit or banks can finance their investment through the deposit that the bank received in capital goods. Indirectly, saving can also contribute to the government borrowing as government can use saving in order to finance public projects. Therefore, higher savings, lead to higher investments and will improve economic growth.

Gross domestic saving is the amount of money that government obtained from its household savings and local businesses that are not used for any consumption. Besides, gross domestic saving can also be defined as the subtraction of gross domestic product and consumption expenditure. Usually, the domestic saving is used for public consumption in the future. Gross domestic saving includes saving from the public sector, private sector and household according to Ariç (2015). This can be supported by Khan, Khan, & Jadoon (2017).