



UNIVERSITI TEKNOLOGI MARA

**A STUDY ON THE FACTORS THAT INFLUENCING ECONOMIC GROWTH IN
MALAYSIA**

**YUSMANIRA BINTI ISMAIL
2013227828**

**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (UiTM)
KOTA BHARU CITY CAMPUS, KELANTAN**

JUNE 2015

ACKNOWLEDGEMENT

“In the name of Allah, the most Gracious and Peace be upon His Messenger, the holy Prophet Muhammad SAW”

First and foremost, Alhamdulillah, at last I am able to complete this report. Whilst, accepting full responsibility for the content of this work, it would be churlish not to acknowledge the debt I owe to all those who directly and indirectly contribute to this writing. It has been the most fruitful experience to have been able to do this research.

Here, I would like to thank to my advisor, Mdm. Roseliza Hamid for her valuable guidance and assistance as well as her valuable information and ideas in making this study possible. I am greatly indebted to her for helping me to overcome obstacles in the process of conducting this project paper as well as for her patience. She has instructed me in a very inspiring and motivating manner, maintaining a good balance between good criticism and encouragement.

I would also like to express my appreciation and thanks to my second examiner, Mr. Ahmad Faiz Bin Abd Halim in the completion of this study and for analyzing the progress of my work.

Not forget to my colleagues for their full cooperation in providing relevant materials about this topic, information and assisting me in completing my report.

Finally, I wish to express my sincere gratitude to my beloved family and all my friends for their supports, patience and encouragement in helping me to complete this project paper. I really hope that my masterpiece would be so beneficial to those who are interested in this topic.

THANK YOU

ABSTRACT

The purposed of this paper is to investigate the relationship between economic growth (Gross Domestic Product) with the exchange rate, interest rate, inflation rate and Foreign Direct Investment (FDI) in Malaysia. The independent variables in this study consist of exchange rate, interest rate, inflation rate and Foreign Direct Investment. For this study, secondary data is used and the data are collected based on quarterly basis with duration of 21 years from year 1994 to 2014. The researcher uses multiple regression analysis to test the result in this study. At the end of this study, the researcher results show that the economic growth has a significant relationship with exchange rate, interest rate and FDI. Meanwhile there is no significant relationship between economic growths with inflation rate.

Keyword : Gross Domestic Product, Exchange Rate, Interest Rate, Inflation Rate, Foreign Direct Investment

TABLE OF CONTENTS

CONTENT	PAGE
Declaration of Original	i
Letter of Submission	ii
Acknowledgement	iii
Table of Contents	iv
List of Tables	vii
List of Figure	vii
Abstract	viii

CHAPTER 1: INTRODUCTION TO THE RESEARCH

1.1	Background of Study	1	1.2
	Problem Statement	3	
1.3	Research Objective	5	
1.4	Theoretical Framework	5	
1.5	Research Hypothesis	6	
1.6	Significant of Study	7	
	1.6.1 To Government	7	
	1.6.2 To Investor	7	
	1.6.3 To Researcher	7	
	1.6.4 To Student	7	
1.7	Definition of Terms	8	
	1.7.1 Gross Domestic Product (GDP)	8	
	1.7.2 Economic Growth	8	
	1.7.3 Exchange Rate	8	
	1.7.4 Interest Rate	8	
	1.7.5 Inflation Rate	8	
	1.7.6 Foreign Direct Investment	8	

CONTENT	PAGE	
1.8	Limitation of Study	9

1.8.1	Accuracy and Reliability of Information	9
1.8.2	Time Constraint	9
1.8.3	Budget Constraint	9
1.9	Scope of Study	9
CHAPTER 2:	<u>LITERATURE REVIEW</u>	
2.1	Introduction	11
2.2	Review of the Literature	11
2.2.1	Economic Growth	11
2.2.2	Exchange Rate	12
2.2.3	Interest Rate	13
2.2.4	Inflation Rate	14
2.2.5	Foreign Direct Investment	15
CHAPTER 3:	<u>RESEARCH METHODOLOGY</u>	
3.1	Introduction	17
3.2	Data Collection	17
3.2.1	Secondary Data	17
3.3	Procedures of Data Analysis	18
3.3.1	Descriptive Statistics	18
3.3.2	Regression Model	19
3.3.3	Time Series	22
3.3.4	Hypothesis Testing	23
3.3.5	ANOVA	24
CHAPTER 4:	<u>FINDINGS AND ANALYSIS OF DATA</u>	
4.1	Introduction	25
4.2	Descriptive Statistics	26
4.3	Durbin Watson, Coefficient of Correlation and Correlation of Determination	27
4.4	Multicollinearity Test	28