



**BACHELOR OF BUSINESS ADMINISTRATION**

**WITH HONOURS FINANCE**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**“Importance of Government Expenditure, Foreign Direct  
Investment and Inflation Rate towards Economic Growth”**

**DURA AKILAH BIDIN**

**2009675442**

**DECLARATION OF ORIGINAL WORK**



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**“DECLARATION OF ORIGINAL WORK”**

I, **DURA AKILAH BIDIN**, (I/C Number: **880627-11-5556** )

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except otherwise stated.
- All verbatim extracts have been distinguished by quotations marks and sources of my information have been specifically acknowledged.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**LETTER OF SUBMISSION**

10 April 2011

**The Head of Program  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
Universiti Teknologi MARA, Campus Kota Bharu  
Wisma KUB, Jalan Sultan Ibrahim  
15050 Kota Bharu  
Kelantan Darul Naim.**

Dear Madam,

**SUBMISSION OF PROJECT PAPER (FIN 667)**

With reference to the above matter, I am student of BBA (Hons) Finance would like to submit a project paper entitled “**Importance of Government Expenditure, Foreign Direct Investment and Inflation Rate towards Economic Growth**” to fulfill the requirement as needed by the Faculty of Business Management, Mara University of Technology.

Thank you.

Yours faithfully,

.....

**DURA AKILAH BIDIN**

**2009675442**

**BBA (HONS) FINANCE**

## ACKNOWLEDGEMENT



*“In the name of Allah, the Merciful, the Beneficent”*

**Alhamdulillah**, this study has been accomplished on time. This research study was made possible through the cooperation and contributions of many people.

First and foremost a very grateful and special appreciation to advisor **Puan Haslina Che Yaacob** for her tremendous understanding, great assistance, careful guidelines, good support and beneficial criticism in preparing this research project. Researcher have also strongly appreciated her confidence by allowing and stimulating researcher to pursue researcher own research interests. An appreciation and thanks also goes to second examiner to this project **Puan Masnah Mohd Zain** for her time and advises. Sincere appreciation goes to all people from Malaysia Productivity Corporation Terengganu especially Encik Mohd Yazid Abdul Majid and Puan Muhaslizawati Mohd Bakri. Their motivational support and encouragement for researcher during internship truly valuable.

A special word of thanks and deep never ending gratitude goes to a very supporting family members in great many ways. Their ongoing moral support which has motivated researcher to persevere the sometimes dark research journey. Researcher also like to thanks to Universiti Teknologi MARA for granting researcher the opportunity to pursue the study in this Bachelor in Business Administration (Hons) Finance. Researcher also like to extend appreciation to friends for their help. Lastly, this appreciation goes to everyone who direct or indirectly involved in completing this project paper.

**Thank you.**

## **ABSTRACT / EXECUTIVE SUMMARY**

This study was attempt to identify the relationship between government expenditure, foreign direct investment and inflation rate with economic growth and to see what the most important factor that contribute towards economic growth. To prove this study, researcher collects data for government expenditure, foreign direct investment and inflation rate in DataStream, Ministry of Finance (MOF), Department of Statistic Malaysia and Malaysian Industrial Development Authority (MIDA) from 1991 until 2010 and test by using SPSS program (STATISTICAL PACKAGE FOR THE SOCIAL SCIENCE) to analyze this research to find the best result. This study was being tested using multiple regression technique, correlations analysis, coefficient of determination, standard error of coefficient (t-test), p-value analysis, analysis of variance (F-test), Eigen values analysis, Tolerance and Variance Inflation Factor (VIF) and Durbin Watson test. The finding shows that government expenditure and foreign direct investment was significant result and these were consistent with the economic growth. From the finding also, it shows that the inflation rate is not really related with economic growth. Therefore, the researcher makes suggestion to future researcher to increase the number sample of data and use the other variables to ensure get accurate findings and bias free.