



اَوْنِيُوْرْسِيْتِي تِيْكْنُوْلُوْجِي مَارَا
UNIVERSITI TEKNOLOGI MARA
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**A STUDY ON THE RELATIONSHIP BETWEEN
MONEY SUPPLY AND REAL GDP: CASE IN MALAYSIA**

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DECLARATION OF ORIGINAL WORK

I, **NOR ZITA BINTI MUHAMAD** I/C Number **820210-03-5062** hereby, declare that:

1. 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.
2. This project paper is the result of the independent investigation of the analyst, except where otherwise stated.
3. All verbatim have been distinguished by quotation marks and sources of information have specifically acknowledged.

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ABSTRACT

This study is conducted in order to measure the relationship between three different types of money supply and real GDP in Malaysia. These three different definitions of money supply are considered as independent variables while real GDP as a dependent variable. This study was done because of the controversies expressed by some researchers about the relationship between money supply (M1, M2, and M3) and real GDP. This study involves 68 observations on monthly basis starting from January 2000 until September 2005. In order to test the correlation between dependent and independent variable, the tools such as regression model, correlation coefficient and R squared were used, while T-statistic and F-statistic were used to test the significant between dependent and independent variables. This study applied the Simple Linear Regression Models in order to analyze the relationship. Based on the analysis, it was found that there is a significant relationship between dependent (real GDP) and independent variables (money supply). It was found that a relationship existed for all pairs series (M1 and real GDP and M2 and real GDP). But this study found that there is no any significant relationship between M3 and real GDP. From the result, it also showed that narrow money (M1) had given the strongest impact to the real GDP in Malaysia compared to the other independent variables.

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