



STUDY ON:
**“A STUDY ON THE RELATIONSHIP BETWEEN
ECONOMIC GROWTH, INFLATION RATE AND LABOR
FORCE TOWARDS GROWTH OF SMALL MEDIUM
ENTERPRISE IN MALAYSIA”**

SUSILAWATI BINTI MAAROF
2004337868

BACHELOR OF BUSINESS ADMINISTRATION (HONS)
FINANCE
FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY
KELANTAN

NOVEMBER 2006

DECLARATION OF ORIGINAL WORK




BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE FACULTY OF BUSINESS MANAGEMENT MARA UNIVERSITY OF TECHNOLOGY

“DECLARATION OF ORIGINAL WORK”

I, Susilawati Binti Maarof (I/C No : 830417-03-5608) hereby declared that,

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

Signature: 

Date: 16/01/06

TABLE OF CONTENT

CONTENT	PAGES
LETTER OF SUBMISSION	i
ACKNOWLEDGEMENT	ii
TABLE OF CONTENT	iii-v
ABBREVIATION OF TERMS	vi
ABSTRACT	vii
CHAPTER 1:: INTRODUCTION	
1.1 BACKGROUND OF STUDY	
1.1.1 OVERVIEW OF SME IN MALAYSIA	1-6
1.1.2 OVERVIEW OF MALAYSIAN ECONOMIC	6-7
1.2 PROBLEM STATEMENT	7-8
1.3 SCOPE OF STUDY	8-9
1.4 OBJECTIVES OF THE STUDY	9
1.5 RESEARCH QUESTION	9-10
1.6 THEORITICAL FRAMEWORK	10
1.7 HYPOTHESIS OF THE STUDY	11
1.8 LIMITATION OF STUDY	11-12
1.9 SIGNIFICANT OF STUDY	12-13

1.10	DEFINITION OF TERMS	14-16
CHAPTER 2: LITERATURE REVIEW		
2.1	RELATIONSHIP GDP AND SME	17-20
2.2	RELATIONSHIP LABOR FORCE AND SME	20-23
2.3	RELATIONSHIP INFLATION AND SME	23-25
CHAPTER3: RESEARCH METHODOLOGY		
3.1	DATA COLLECTION	26
3.2	METHOD TO ANALYZE DATA	26-31
CHAPTER 4: FINDING ANALYSIS		
4.1	INTRODUCTION	32
4.2	MULTIPLE LINEAR REGRESSION	32-38
4.3	CONCLUSION FROM FINDINGS	38-39
CHAPTER 5: CONCLUSION AND RECOMMENDATION		
5.1	CONCLUSION	40-44
5.2	RECOMMENDATION	45-46
BIBLIOGRAPHIES		
APPENDIX A: DATA COLLECTION		
APPENDIX B: MULTIPLE LINEAR REGRESSIONS		

ABSTRACT

The purpose of this study is to determine the relationship between GDP, inflation and labor force within 31 periods starting from the year 1975 to 2005. The scope of this study is before and after establishment of SMEs. SMEs in Malaysia existed a long time ago but it was established and encouraged by the government in 1996. The data collection were based on yearly basis, apart from that, secondary data were also used. From the result, only GDP and labor force have significant relationships with the growth of SME, while inflation are not significant with the growth of SMEs. Thus, labor force is the most effective variable for growth of SMEs, although it has a negative relationship with growth of SMEs. Since the researcher had identified the most effective variables, it is recommended for BNM, SMIDEC and entrepreneurs to take GDP as a consideration when making decisions regarding to the growth of SMEs.