



**THE EFFECT OF GOVERNMENT SPENDING TOWARDS
UNEMPLOYMENT RATE IN MALAYSIA**

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JUNE 2019

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (BUSINESS ECONOMICS) FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA “DECLARATION OF ORIGINAL WORK”

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ABSTRACT

Keeping unemployment rate low is one of the crucial economics goal. Keynesian economists believe that expansionary fiscal policy play huge role in reducing unemployment. Thus, this study investigates on the effect of increase in government spending towards unemployment rate in Malaysia. Using data of 37 years (1982-2017), Government Expenditure (EXP), Foreign Direct Investment (FDI) and Balance of Trade (TRB) is tested against Unemployment Rate (UNR) in a multi-linear regression analysis by using OLS. It found a negative, insignificant relationship between UNR and GE, negative and significant relationship between UNR and FDI, and positive, significant relationship between UNR and TRB. By using Granger Causality test, it is also found that TRB Granger Cause GE and FDI Granger Cause GE.