THE DETERMINANTS OF ECONOMIC GROWTH IN MALAYSIA

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ABSTRACT

Malaysia is consider as a middle income country which is since the 1970s, Malaysia has transformed itself from a producer of raw materials into an amerging multi sector economy.This paper examines the relationship foreign direct investment, total population and export represent the independent variables with the economic growth (dependent variables) in the short run and long run. Malaysia is actually experiencing a decrease in foreign investments **(Tomlinson, Abdullah & Kolesnikov- Jessop, 2006).** Malaysian economy also highly dependent on foreign trade, especially during the Asian financial crisis, that is, from 1997 to 2000.The relationship all those variable are examined by using 37 observation of data that are from the year of 1970 until 2007 in yearly basis using STATA software. After having a vecm test, results shows that there is negative long run relationship between the variables. However, in the short run using the granger causality test total population and gross domestic product have a unidirectional causality where the total population influenced the gross domestic product. There is no causality relationship between the foreign direct investment and gross domestic product in the short run. Export and gross domestic product also has no causality relationship between them. Future researcher also can expand or enlarge their scope of study which is not focus in Malaysia only. They can focus their study abroad such as in Vietnam, Indonesia or Thailand. It might be useful for future research.

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