

**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF GROSS DOMESTIC  
PRODUCT (GDP) GROWTH IN MALAYSIA**

**MUHAMMAD BAKHIDDIN BIN YAHYA  
2016516405**

Final Year Project Paper submitted in fulfillment  
of the requirements for the degree of  
**Bachelor of Business Administration  
(Finance)**

**Faculty of Business and Management**

**July 2020**

## ABSTRACT

This study aims to determine the macroeconomic factors affecting Growth Domestic Product (GDP) growth in Malaysia. The four selected macroeconomic factors affecting GDP growth are employment to population ratio (EPR), foreign exchange rate (EXCR), interest rate spread (IRS) and inflation (CPI). Throughout the literature review process, several theories and previous studies which are relevant to the research objective have been reviewed. By referring to the theoretical framework, it can lead towards answering the research questions. The secondary data is gathered from World Bank Open Data, Department of Statistics Malaysia (DOSM) Official Portal and Macrotrends.net. Several analyses have been conducted, namely descriptive statistics analysis, correlation test analysis and multiple regression analysis on the yearly basis from 1991 to 2019. Through the analyses, the results can be concluded that EPR, IRS and CPI have negative relationship with GDP. Whereas, only EXCR has a positive relationship with GDP. Last but not least, this paper has contributed new evidence proven to the existing research studies and provides clearer view on Malaysia's GDP growth to the government bodies.

## **ACKNOWLEDGEMENT**

Firstly, I wish to thank God for giving me the opportunity to continue my studies for my Bachelor's Degree and for completing this wonderful journey successfully. My utmost gratitude goes to my supervisor Mr. Mohamad Azwan bin Md Isa for all the guidance that he has given.

I would also like to thank my family and friends that has always supported me all the way from the beginning of my journey, until now. Without them, I would not be where I am today.

Finally, this thesis is dedicated to the loving memory of my very dear late sister for the inspiration and determination to educate me. This piece of victory is dedicated to her.

## TABLE OF CONTENTS

	<b>Page</b>
<b>AUTHOR'S DECLARATION</b>	<b>ii</b>
<b>ABSTRACT</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT</b>	<b>iv</b>
<b>TABLE OF CONTENT</b>	<b>v</b>
<b>LIST OF TABLES</b>	<b>vii</b>
<b>LIST OF FIGURES</b>	<b>viii</b>
<b>LIST OF SYMBOLS</b>	<b>ix</b>
<b>LIST OF ABBREVIATIONS</b>	<b>x</b>
<b>CHAPTER ONE INTRODUCTION</b>	<b>1</b>
1.1 Introduction	1
1.2 Research Background	1
1.3 Problem Statement	6
1.4 Research Questions	7
1.5 Research Objectives	7
1.6 Significance of the Study	8
1.7 Scope of the Study	8
1.8 Limitation of the Study	9
1.9 Definition of Key Terms	9
1.10 Summary	11
<b>CHAPTER TWO LITERATURE REVIEW</b>	<b>12</b>
2.1 Introduction	12
2.2 Gross Domestic Product	12
2.3 Employment	13
2.4 Foreign Exchange	14
2.5 Interest Rate Spread	15
2.6 Inflation	16
2.7 Research Framework	17

2.8	Summary	18
<b>CHAPTER THREE RESEARCH METHODOLOGY</b>		<b>19</b>
3.1	Introduction	19
3.2	Data Collection	19
3.3	Variables	20
3.4	Research Design	21
3.5	Hypotheses Statement	22
3.6	Data Analysis	23
3.7	Summary	26
<b>CHAPTER FOUR RESULTS AND DISCUSSION</b>		<b>28</b>
4.1	Introduction	28
4.2	Finding 1: Descriptive Analysis	28
4.3	Finding 2: Correlation Analysis	30
4.4	Finding 3: Regression Analysis	31
4.5	Summary	33
<b>CHAPTER FIVE CONCLUSION AND RECOMMENDATION</b>		<b>35</b>
5.1	Introduction	35
5.2	Discussion On Findings	35
5.3	Recommendation	36
<b>REFERENCES</b>		<b>37</b>
<b>APPENDICES</b>		<b>39</b>