

UNIVERSITI TEKNOLOGI MARA

**ECONOMIC GROWTH AND
ENVIRONMENTAL DEGRADATION:
EVIDENCE FROM HECKSCHER-
OHLIN THEORY AND
ENVIRONMENTAL KUZNETS
CURVE HYPOTHESIS**

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MSc

May 2020

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have supplied with the Academic Rules and Regulation for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The relationship between economic growth and environmental degradation has been one of the debateable issues for researcher to study lately as it attracts a lot of attention. Most studies focused on macroeconomic field whereby the nations are restricted to specific regions only. This study aims to investigate the relationship between economic growth and environmental degradation (proxied by CO₂ emission). The researcher employed the Heckscher-Ohlin theory, specifically the factor abundance in segregating and choosing the countries. The countries are segregated into two types; K-abundant and L-abundant nations. To determine whether there are significant difference between countries, researcher puts an extra effort by considering whether there is a significant difference between the factor abundance towards the environmental degradation. The reason of segregating the data into two groups will help us to identify the significant difference between K and L abundant. This study also re-examines whether there is an existence of Environmental Kuznets Curve (EKC) hypothesis when the countries are segregated into K and L abundant nations. Therefore, there are a total of 102 countries chosen and the time period covers from 1995 until 2014. Furthermore, this research applied Panel Pooled Ordinary Least Square (OLS) and polynomial form to determine the existence of Environmental Kuznets Curve (EKC) hypothesis. The empirical result revealed economic growth and environmental degradation posed a positive relationship between them in all estimations despite the difference in factor abundance. The Environmental Kuznets Curve was only valid in L-abundant nations as there was a turning point.

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