



**UNIVERSITI TEKNOLOGI MARA**

**THE EFFECT OF MACROECONOMIC FACTOR  
TOWARD THE SMALL AND MEDIUM  
ENTERPRISES (SMES) OUTPUT TO THE  
ECONOMIC GROWTH IN MALAYSIA**

**MOHAMAD HAZREN BIN MANSUR  
2019530343**

Final Year Project Paper submitted in fulfillment  
of the requirements for the degree of  
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## **AUTHOR'S DECLARATION**

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results 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 been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student : Mohamad Hazren Bin Mansur

Student I.D. No. : 2019530343

Programme : Bachelor of Business and Administration (Hons)  
Investment.

Faculty : Business and Management

Thesis : The Effect of Macroeconomic Factor Towards The  
Small And Medium Enterprises (SMEs) Output to The  
Economic Growth In Malaysia

Signature of Student : *Mohamad Hazren Mansur*

Date : November 2020

## **ABSTRACT**

Small and medium enterprises (SMEs) sectors play an important role to economic growth in Malaysia. It is substantially contributed to income, employment and output. SMEs are a business that maintains sales, assets or a number of workers below a certain range. The main objectives of SMEs are to reduce unemployment and to increase the income of poor people through SMEs development. Other than that SMEs also generate a purchasing power and help to stabilize the flow of money supply. However, due to the current COVID-19 pandemic, SMEs business has been seen difficult to survive. People tend to save their money rather than spending thus this will decrease the profit of the business, gross domestic product and import of goods and services. Due to that circumstance, this study aims to investigate the effect of GDP, interest rate, labour force and unemployment rate. To conduct this study, SMEs output is used as a dependent variable, while the gross domestic product, unemployment rate, interest rate, and labour force is used as independent variables. Data are collected from 1987 until 2018, a yearly basis. The Ordinary Least Square (OLS) method is used to test the effect and relationship between the variables. Results from this study shows that SMEs output have a significant relationship with macroeconomic variables.

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