DETERMINANTS OF UNEMPLOYMENT RATE IN SELECTED ASEAN COUNTRIES

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# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF TABLE</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>x</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>xi</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.0 Introduction

1.1 Introduction of Study

1.2 Background of the Study

1.3 Problem Statement

1.4 Research Questions

1.5 Research Objectives

1.6 Scope of Study

1.7 Limitation of the Study

1.7 Significance of the Study

1.8 Operational Definitions

## CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

2.1 Unemployment Rate

2.2 Inflation Rate

2.3 Population
CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

3.1 Model
   3.1.1 Conceptual Framework
   3.1.2 Hypothesis

3.2 Variable Description
   3.2.1 Dependent Variable
   3.2.2 Independent Variable
      3.2.2.1 Population
      3.2.2.2 Inflation Rate
      3.2.2.3 Foreign Direct Investment

3.3 Data Collection Method

3.4 Measure for the Analysis
   3.4.1 Descriptive Statistics
   3.4.2 Correlation Statistics
   3.4.3 Pooled Ordinary Least Square (POLs) Regression
   3.4.4 Multicollinearity Test
   3.4.5 Heteroskedasticity Test
   3.4.6 Panel Data Analysis
   3.4.7 Random Effect Model - Breush Pagan Test or Lagrangian Test
   3.4.8 Fixed Effect Model – Hausman Fixed Test
ACKNOWLEDGEMENT

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ABSTRACT

This study investigates the factors that influence unemployment rate (UR) using selected ASEAN countries which are Malaysia, Indonesia, Philippines, Thailand and Singapore as a case of study, with specific attention on population (POP), inflation rate (IR), and foreign direct investment (FDI). The time period examined is from 1982 to 2016 and all the tests are conducted based on yearly data which is containing a total number of 175 yearly data observations. Specifically, this study aimed to address the following: (1) To determine the most significant factors that influence unemployment rate in selected ASEAN countries; (2) To examine the relationship between populations, Inflation rate, foreign direct investment, and unemployment rate. POLS regression, Panel Data Analysis, Multicollinearity Test, Heteroscedasticity Test and Hausman Fixed Test constituted the analytical methods. From FEM regression, population (POP) was determined to have a positive and significant relationship with unemployment rate (UR) whereas foreign direct (FDI) was observed to have negative and significant relationship with unemployment rate (UR). However, inflation rate (IR) was found to have negative and an insignificant relationship with unemployment rate (UR). The results provided some useful insights into the effects of macroeconomic factors on the unemployment rate in selected ASEAN countries.

Keywords: Unemployment rate, Inflation rate, Population, Foreign Direct Investment, Panel Data Analysis.