



**THE IMPACT OF MACROECONOMIC VARIABLES ON GROSS DOMESTIC PRODUCT:
EMPIRICAL EVIDENCE FROM MALAYSIA**

MOHAMAD ZULFADHLI BIN MOHD YUSOF

2015270448

BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITY OF TECHNOLOGY MARA

MALACCA CITY CAMPUS

JULY 2017

ACKNOWLEDGEMENTS

In the name of Allah s.w.t. the Most Compassionate, the Most Merciful, the Most Gracious. All praise goes to Allah s.w.t. in giving us strength, patient and making things possible for me to complete the project paper according to time given.

First of all, I would like to express my deepest gratitude to my advisors, Puan Nurul Izzat binti Kamaruddin for her continuous valuable and useful guidance. Her kindness in sharing her expertise, experience and knowledge to me in preparing project paper. Her support and favorable comments all the way through the completion of this project paper. Besides, I would like to send my gratitude to my second advisor, Madam Nor Aizan binti Mohamed for her sincere suggestions in improving my research project.

Next, I would like to dedicate my appreciation to my supervisor Encik Mohd Kamal bin Mohd Kassim from Pejabat PERKESO Muar respectively for their great support and mutual aid during our industrial training from 1st February 2017 until 18th May 2017.

Furthermore, I would like to express my thankfulness to my beloved parent for their encouragement and continuous guidance contributes directly and indirectly in completing the project paper as well as finishing my study.

Finally, my appreciation goes to all of my friends and librarian for sharing and guidance contributes directly and indirectly in completing this project paper. May Allah s.w.t. shower His bless upon all of us.

ABSTRACT

This study uses the data series of variable Interest rates (INT), Inflation Rates (INF) and Exchange Rates (EXC) to measure the relationship of these five Economics variables towards Gross Domestic Product (GDP). In addition, this study tries to investigate the best model to use among Single Linear Regression (SLR) or Multiple Linear Regressions (MLR). This study also applies a time series produce and the sample of this study is taken by quarterly from 2009 to 2016. The findings show there is a significant positive relationship between Gross Domestic Product (GDP) and Interest Rates (INT). Other independent variables show there is significant relationship between Gross domestic Product (GDP) and Inflation Rates (INF). There is significant positive relationship between Gross Domestic Product (GDP) and Exchange Rates (EXC).

TABLE OF CONTENTS

Title Page	i
Declaration of Original Work	ii
Letter of Submission	iii
Acknowledgement	iv
Table of Contents	v
List of Tables	xi
List of Figure	xii
List of Abbreviations	xii
CHAPTER 1: RESEARCH OVERVIEW	1
1.0 Introduction	1
1.1 Research Background	2
1.2 Problem Statement	7
1.3 Research Objectives	10
1.3.1 General Objective	10
1.3.2 Specific Objectives	10
1.4 Research Questions	10
1.5 Hypothesis of the Study	11
1.6 Significance of the Study	11
1.6.1 Academic Researcher	12
1.6.2 Policy Maker	12
1.7 Scope of Study	13
1.8 Limitation of Study	14
1.8.1 Data Reliability	14
1.8.2 Time Constraint	14

1.9 Definition of term	14
1.9.1 Gross Domestic Product (GDP)	14
1.9.2 Interest Rates (INT)	15
1.9.3 Inflation Rates (INF)	15
1.9.4 Exchange Rates (EXC)	16
1.10 Conclusion	16
CHAPTER 2: LITERATURE REVIEW	17
2.1 Introduction	17
2.2 Research on Economic Growth which measured by Gross Domestic Product	18
2.3 Research relationship between Interest Rate and Gross Domestic Product	19
2.4 Research relationship between Inflation and Gross Domestic Product	21
2.5 Research relationship between Exchange Rate and Gross Domestic Product	22
2.6 Conclusion	24
CHAPTER 3: METHODOLOGY	25
3.1 Introduction	25
3.2 Research Design	26
3.3 Data Preparation	27
3.3.1 Data Collection Method	27
3.3.2 Data Processing	28
3.3.3 Model Estimation	29
3.4 Background of model	30
3.4.1 Linear Regression Model	30
3.4.2 Simple Linear Regression (SLR)	30
3.4.3 Multiple Linear Regressions	31
3.5 Empirical Model	32
3.5.1 Simple Linear Regression	32