

**THE EFFECTIVENESS OF GOVERNMENT SPENDING  
ON EDUCATION: A PANEL DATA STUDY OF DEVELOPED AND  
DEVELOPING COUNTRIES**

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## ABSTRACT

Education plays a large role in the advancement of a nation. It is crucial and important in the eradication of poverty, enhancing equity and social justice. Other than that, education also is vital in ensuring the supply of necessary human capital which is needed for the continuous growth of a nation economic. Most countries in the world have adopting an effective investment in education as the fundamental approach toward a sustainable growth. This paper will focus on the impact of investment in education on economic growth in Malaysia using data from 1960 to 2009. By adopting Dauda (2010) and Ndiyo (2007) method, the relationship will be estimated. Dauda and Ndiyo are using production function in which growth of economic is the output. Changes in the output are due to the change in the input which are total expenditure of education, total labour force and physical capital formation.