

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

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## TABLE OF CONTENTS

CONTENT		PAGE
TITLE PAGE		i
DECLARATION OF ORIGINAL WORK		ii
LETTER OF SUBMISSION		iii
ACKNOWLEDGEMENT		iv-v
LIST OF TABLES		vi
LIST OF FIGURES		vii
LIST OF ABBREVIATIONS		viii
LIST OF DEFINITION OF TERMS		ix-xi
ABSTRACT		xii
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	
	1.1 Introduction	1
	1.2 Background of study	2
	1.3 Problem statement	5
	1.4 Purpose of study	6
	1.5 Research objective	6
	1.6 Significant of the study	7
	1.7 Limitation of the study	8
<b>CHAPTER 2</b>	<b>LITERATURE REVIEW</b>	
	2.1 Introduction	9
	2.2 Literature Review	9
	2.3 The Conceptual Framework	17
<b>CHAPTER 3</b>	<b>RESEARCH METHODOLOGY</b>	
	3.1 Introduction	19
	3.2 Model Specification	20
	3.3 Breusch and Pagan LM (poolability) test	21

3.4 Unit Root (Fisher-Type) test	22
3.5 Variance Inflation Test	24
3.6 Wooldridge test	25
3.7 Breusch and Pagan test and Modified Wald Test	26
3.8 Instrumental Variable 2 Stage Least Square test	27

## **CHAPTER 4 RESULTS AND FINDINGS**

4.1 Introduction	30
4.2 Analysis of human capital at basic level	30
4.3 Analysis of human capital at advanced level	34
4.4 Output in Manufacturing sectors analysis	36
4.5 Output in Manufacturing sectors analysis	38
4.5 Total Output analysis	40

## **CHAPTER 5 CONCLUSION RECOMENDATION**

5.1 Conclusions	42
5.2 Recomendation	43

## **BIBLIOGRAPHY 44**

## **APPENDICES 46**

- Appendix I: STATA Output
- Appendix II: STATA Data
- Appendix III: Names of countries

## 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.