



**UNIVERSITI TEKNOLOGI MARA**

**HUMAN DEVELOPMENT AND THE ECONOMIC  
GROWTH IN MALAYSIA**

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Final Year Project submitted in fulfilment of  
the requirements for degree of  
Bachelor of Business Administration (Hons)  
Investment Management

**Faculty of Business and Management**

**AUGUST 2022**

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### **ACKNOWLEDGEMENT**

First and foremost, I would want to give gratitude and praise to God, the Almighty, for His gifts that allowed me to successfully complete my research.

I am overwhelmed with gratitude and humility for everyone who has helped me interpret these concepts into something real that is well above the level of simplicity. I want to specifically thank Dr. Maizura Binti Md. Isa, my adviser, for her assistance with this research project on the topic of human development and economic progress in Malaysia. She also provides valuable feedback and taught me a lot of new information. She has taught me how to conduct research and how to explain the results as simply as possible. Working and studying under her direction was a wonderful honour and pleasure. She has given me so much, and I am really appreciating that.

I am incredibly appreciative of my parents' love, prayers, concern, and sacrifices made for my education and future preparations. I owe a great deal of gratitude to my friends and classmates for their love, compassion, prayers, and help with this research project. Not to be forgotten is our coordinator Madam Yuslizawati Mohd Yusoff for her compassion in supporting us as we worked to finish our research project. By offering us helpful information, she has supplied us with good assistance.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Introduction**

The UNDP Human Development Index (HDI) is a composite measurement that uses results in life expectancy at birth, education, and per capita income as a reference for several elements of human development that are not directly connected to health and education (Fukuda-Parr 2003).

The Human Development Index, a combination of measurements of life expectancy, education, and income is the most often used indicator of Africa's human development. Empowerment of this population may be achieved by efforts designed to improve core human abilities such as health, knowledge, and skills that can be used to improve investments in beneficial exercises, social, cultural, and political activities (Wilson, 1996).

For the past two decades, Malaysia's economy has grown steadily, and for the sixth year running, its performance can best be classified as strong expanding with an average annual growth rate of above 5% (Roshaliza Taha, et al, 2009). The government's implementation of five-year plans since 1955 has benefitted in the growth of economy. The Malaysia Plan is a detailed five-year plan that includes data on the country's economic development and national budget allocation for all economic sectors. This plan also covers the plan for education system, health system and improving standard of living.

The focus of this paper is on the relationship between human development and economic growth in Malaysia. The aim here is to evaluate the impact of the human development and economic growth.

## **1.2 Background of Study**

Economic growth is defined as an increase in real GDP, which translates to an increase in national revenue, production, and total spending. Growth in the economy should result in higher living standards and increased consumption of products and services. Economic growth may assist to achieve a variety of macroeconomic goals, including reducing poverty, reduced unemployment, enhanced government services, and lower debt-to-GDP ratios.

Studying the factors that establish economic growth and human development can assist policymakers and decision-makers in developing and implementing effective poverty control. The study discovered how economic development effects human development and vice versa.

Researchers examine a relation between economic growth and human development. Human development has widened its definition to include a variety of economic, social, and political considerations. The widening of this definition makes empirical proof of the mechanisms linking economic growth and human development challenging.

Despite the fact that human development is a broader concept, many of its components overlap strongly with the more traditional idea of human capital. Human development is closely linked to human capital, and human capital influences a nation's economic growth, hence human development is sure to have an impact on economic growth.

Each aspect of human development is expected to have a different influence on economic growth. Education, for example, has a significant impact on labour productivity. In agriculture, based on the data retrieved from Malaysia, Ghana, and Peru to show that each additional year of schooling for a farmer is correlated with a 2-5 percent increase in yearly production (Birdsall, 1993). Education enhances the quality of innovation and technical advancements in addition to its direct impact on productivity. In Green Revolution India, higher education is linked to quicker technology adoption. Health has also been shown to have positive effects on economic growth. Study the extensive evidence on how better health and nutrition boost productivity and income (Strauss and Thomas, 1998).