

**DETERMINANTS OF SAVINGS IN MALAYSIA**

**TAN LAY KEAT**

**FACULTY OF ECONOMICS AND ADMINISTRATION  
UNIVERSITY OF MALAYA  
KUALA LUMPUR**

**MAY 2004**



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**BY**

**TAN LAY KEAT  
(EGA020035)**

**SUBMITTED TO THE FACULTY OF ECONOMICS AND  
ADMINISTRATION, UNIVERSITY OF MALAYA IN PARTIAL  
FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF  
MASTER OF ECONOMICS**

**MAY 2004**

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## ACKNOWLEDGEMENT

I wish to acknowledge Assoc. Prof. Dr Yap Su Fei, for her contribution of time and effort to supervise and comment on this research paper. In addition, I also thank her as she agreed to be my supervisor. Her encouragement and support have made this project realizable.

I also wish to thank all the lecturers who have generously given suggestions and comments. A special mention goes to Assoc. Prof. Dr Goh Kim Leng for his advice.

I am responsible for all errors in the paper and accept all responsibilities for any errors that might appear in this paper.

## ABSTRACT

This paper analyzes the determinants of national savings for a sample of Malaysia over the period 1970 to 2000. Theory and evidence also suggest a role for growth, interest rate, age demographic effects and foreign savings that affects savings and well know in previous studies. Statistical techniques are used to analyze the savings dynamics by performing unit root test, co-integration test and granger-causality test. Then, in our empirical analysis of the national savings function, error correction modeling approaches have been used. Our empirical econometric estimates result suggest that savings is largely explained by economic growth and age structures, and is generally less sensitive to interest rate and foreign savings. Financial liberalization is found to have a little impact on national savings.



## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>ADF</b>	Augmented Dickey-Fuller
<b>AIC</b>	Akaike Information Criterion
<b>CA</b>	Current Account
<b>DR</b>	Dependency Ratio
<b>ECM</b>	Error-Correction Model
<b>GDP</b>	Gross Domestic Product
<b>GNP</b>	Gross National Products
<b>GNS</b>	Gross National Savings
<b>I</b>	Interest Rate
<b>IMF</b>	International Monetary Fund
<b>LR</b>	Likelihood Ratio
<b>NFPEs</b>	Non-Financial Public Enterprises
<b>OLS</b>	Ordinary Least Square
<b>PP</b>	Phillips and Person
<b>R&amp;D</b>	Research and Development
<b>SAV</b>	Gross National Savings
<b>SIC</b>	Schwarz Information Criterion
<b>VAR</b>	Vector Auto-Regression
<b>VECM</b>	Vector Error-Correction Model