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Information and Communication Technology (ICT) and Economic Growth in Malaysia

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Abstract

This study aims to examine the impact of information and communication technology (ICT) on economic growth in Malaysia. The motivation of this study is to estimates the impact of ICT advancement towards the performance of the Gross Domestic Product (GDP) in Malaysia. The domestic GDP is selected as the dependent variables while the labour force participation, the contribution of ICT, the mobile cellular subscriptions and the individual usage of internet are utilised as the independent variables for this study. The time-series data collected for this study is for the period of 25 years, which is from the year 1994 until year 2018. The data set is then being further tested by using the unit root test which include the Augmented Dickey-Fuller (ADF) test and the Kwiatkowski-Philip-Schmidt-Shin (KPSS) test. Meanwhile, estimating the cointegration and relationship between the variables will tested using the Johansen and Juselius (J&J) Cointegration Test, the Vector Error Correlation Model (VECM) and the Granger Causality test. Based on the result of this study, the mobile cellular subscriptions and individual usage of internet are estimated to have a significant and positive relationship with the Gross Domestic Product (GDP) in Malaysia. The findings of this study show that the contribution of Information and Communication Technologies (ICT) assist to enhance the Gross Domestic Product (GDP) of Malaysia. The estimations from this study hopefully will support the active role played by the government in creating the network society by prioritizing the policies that will become the enablers in the advancement of ICT environment in the country and eventually support the economic growth of Malaysia.

Keywords: Information and Communication Technology, Economic Growth, Malaysia

Introduction

Economy and digital technology are now becoming an inter-related discipline that work in tandem to ensure the continuous progress in both of the fields respectively. Malaysia is one of the countries whose aspire to become a technological-driven economy by leading some of the key areas such as the digital entrepreneurship, innovation and digital adoption in order to achieve the 2030 agenda of sustainable development goals (SDG). Although SDG have no direct and specific goals toward the ICT development, some of the goals are used as a reference and highly dependent with the advancement