

**ON ENGINE OF GROWTH IN MALAYSIA:
EXPORT-LED, FINANCIAL-LED OR INVESTMENT-LED?**

Siow-Hooi Tan^a, Muzafar Shah Habibullah^b, Ahmad Zubaidi Baharumshah^b and M. Azali^b

^a *Faculty of Management, Multimedia University,
63100 Cyberjaya, Selangor, Malaysia*

^b *Faculty of Economics and Management, Universiti Putra Malaysia,
43400 Selangor, Malaysia*

ABSTRACT

The purpose of this study is to investigate the interrelations of three key macroeconomics variables on economic growth in Malaysia using the Johansen multivariate cointegration framework and Granger causality tests in the vector error-correction (VECM) model. Annual data used in the analysis covering the period from 1959-2005. Our results suggest that the three macro-variables: financial, export and investment contribute to the cointegrating vector. However, the results further suggest that financial variable is exogenous which implies that financial-led hypothesis dominates and enhances economic growth in Malaysia.