

The Effects of Population Growth on Economic Growth in Malaysia

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Abstract

The relationship between population growth and economic growth has been a topic of interest for policymakers and economists around the world. Malaysia, one of the fastest-growing countries in Southeast Asia, has experienced significant population growth in recent years, with a projected population of 38.6 million by 2040. This thesis aims to examine the effects of population growth on economic growth in Malaysia, using both theoretical and empirical analyses. The results suggest that while there are positive effects of population growth on economic growth, there are also negative effects that policymakers need to consider.

Keywords: *Population, Economic, Malaysia*

Introduction

Population growth is a significant issue that has been a concern for policymakers and economists around the world. Malaysia, a rapidly growing country in Southeast Asia, has experienced significant population growth in recent years, with a projected population of 38.6 million by 2040 (Department of Statistics Malaysia, 2020). The relationship between population growth and economic growth has been a topic of interest, with researchers examining the potential effects on the economy. This article aims to examine the effects of population growth on economic growth in Malaysia using both theoretical and empirical analyses.

Population growth is a significant factor in economic development and has a significant impact on a country's economic growth. Malaysia has experienced rapid population growth over the past few decades, which has led to a series of economic challenges. This paper will examine the effects of population growth on economic growth in Malaysia. The study is critical because population growth is an essential driver of economic growth in developing countries, but it also has some adverse effects on the economy. The research will use empirical analysis to evaluate the impact of population growth on economic growth in Malaysia.

Population Growth in Malaysia:

Malaysia's population has grown rapidly over the past few decades. In 1960, the population was approximately 8 million, and it has now exceeded 30 million. Malaysia's population growth rate has been around 2% per year over the past few decades, which is considered high compared to other Southeast Asian countries. (World Bank, 2021). The population growth rate in Malaysia has contributed to significant demographic changes in the country. The high

population growth rate has led to increased demand for goods and services, increased urbanization, and a growing workforce.

Economic Growth in Malaysia:

Malaysia has experienced robust economic growth over the past few decades. The country has been able to achieve high levels of economic growth by implementing sound economic policies and attracting foreign investment. Malaysia's GDP has grown at an average rate of 5.5% per year over the past five years, and it is expected to continue to grow at a similar rate in the coming years. (World Bank, 2021).

Population Growth and Economic Growth:

Population growth can have both positive and negative effects on economic growth. On the one hand, a growing population can increase the workforce, which can lead to higher productivity and economic growth. On the other hand, population growth can also lead to increased demand for goods and services, which can lead to inflation and other economic challenges.

Positive Effects of Population Growth on Economic Growth:

Population growth can contribute to economic growth in several ways. One of the main ways population growth can stimulate economic growth is by increasing the size of the workforce. A larger workforce can lead to increased productivity, which can drive economic growth. Additionally, a growing population can lead to increased demand for goods and services, which can stimulate economic activity and lead to increased investment in the economy.

Negative Effects of Population Growth on Economic Growth:

Population growth can also have adverse effects on economic growth. One of the most significant challenges associated with population growth is the strain it puts on resources such as food, water, and energy. Additionally, population growth can lead to increased competition for jobs, which can lead to unemployment and social unrest.

Malaysia is a country that has experienced significant population growth over the past several decades, with a current estimated population of over 32 million people (Department of Statistics Malaysia, 2021). This rapid population growth has had both positive and negative effects on the country's economy.

On the positive side, population growth can lead to increased demand for goods and services, which can stimulate economic growth (Mankiw, 2014). With a larger population, there may be more opportunities for businesses to expand and create jobs, which can boost economic activity. Additionally, a growing population can lead to greater innovation and technological advancement, as more people are available to work and contribute to the economy.

However, there are also potential negative effects of population growth on economic growth. One concern is that a rapidly growing population can strain a country's resources, such as natural resources, infrastructure, and social services (Bloom et al., 2017). This can lead to issues such as environmental degradation, traffic congestion, and overcrowding in cities. Additionally, if population growth outpaces the economy's ability to create jobs and provide sufficient services, this can lead to unemployment and poverty (Mankiw, 2014). Given these potential positive and negative effects, it is important to study the relationship between population growth and economic growth in Malaysia. This can help policymakers make informed decisions about how to manage population growth and promote economic development in a sustainable way.

Over the years, several studies have been conducted to investigate the effects of population growth on economic growth in Malaysia. These studies have used various methods and approaches to analyze the relationship between these two variables. Some studies have focused on the role of population growth in driving economic growth, while others have examined the impact of population growth on various economic indicators, such as GDP per capita, labor productivity, and poverty rates.

Population growth is a critical factor in economic development and has both positive and negative effects on economic growth. Malaysia has experienced rapid population growth over the past few decades, which has contributed to significant demographic changes in the country. While population growth can contribute to economic growth by increasing the size of the workforce and stimulating economic activity, it can also lead to adverse effects such as increased competition for resources and jobs. The study highlights the importance of implementing policies to manage population growth and harness its positive effects on economic growth while mitigating its negative impacts.

Problem Statement

The rapid population growth in Malaysia has created various challenges for the country's economic development. Firstly, the increase in population has led to a rise in the demand for resources, including food, water, and energy. This increase in demand has put pressure on the country's natural resources and infrastructure (Sulaiman et al., 2018). Secondly, the increase in population has led to urbanization, with more people moving to urban areas in search of better economic opportunities (Zakaria et al., 2019). This has resulted in the rapid expansion of urban areas, which has put pressure on the country's infrastructure and resources.

Thirdly, the increase in population has led to an increase in labor supply, which has implications for the country's economic growth. While a larger labor force can contribute to higher economic growth, if the economy is unable to absorb the increased labor supply, it can lead to unemployment and underemployment (Ahmad, 2020). Fourthly, the increase in population has led to an increase in household consumption, which has implications for the country's economic growth. While higher household consumption can lead to higher economic growth, if the economy is unable to meet the increased demand, it can lead to inflation and a trade deficit (Mustapha et al., 2018).

Overall, the rapid population growth in Malaysia has created various challenges for the country's economic development. Therefore, it is crucial to investigate the effects of population growth on economic growth in Malaysia to understand the nature and extent of these challenges and to develop policies to address them.

Literature Review

Theoretical studies on the relationship between population growth and economic growth suggest that there is a positive relationship between the two variables. According to the Malthusian theory, population growth could lead to economic growth due to increased demand for goods and services (Malthus, 1798). Demographic transition theory also suggests that a growing population could lead to economic growth, as the younger population could contribute to the labour force and boost productivity (Lee, Mason, & Cotlear, 2010). Endogenous growth theory suggests that population growth could lead to technological advancements and increased human capital, both of which could lead to economic growth (Lucas, 1988).

Empirical studies on the relationship between population growth and economic growth in Malaysia provide mixed results. A study by Lee and Lim (2013) found a positive relationship between population growth and economic growth in Malaysia from 1960 to 2010. The study

suggests that the growth in population could contribute to the growth of the labour force and increased productivity. However, a study by Narayan and Narayan (2008) found that population growth had a negative effect on economic growth in Malaysia from 1960 to 2004. The study suggests that rapid population growth could lead to increased demand for resources, which could lead to a decline in economic growth.

Population growth is an important determinant of economic growth in many countries around the world. In Malaysia, the population has been growing steadily over the past few decades, and this has led to concerns about its impact on the country's economic development. This literature review will explore the relationship between population growth and economic growth in Malaysia, and the factors that influence this relationship.

Population Growth in Malaysia:

Malaysia's population has been growing steadily over the past few decades, with a current population of over 32 million (Department of Statistics Malaysia, 2021). The country's population growth rate has declined slightly in recent years, but it is still relatively high compared to other countries in the region. This rapid population growth has led to concerns about its impact on the country's economic growth.

Factors Affecting the Relationship between Population Growth and Economic Growth:

The relationship between population growth and economic growth is complex and multifaceted. A number of factors can influence this relationship, including the age structure of the population, the level of education and skills of the workforce, and the availability of natural resources. Bloom, Canning, and Fink (2017) argue that an aging population can have a negative impact on economic growth, while a young and growing population can provide a demographic dividend that boosts economic growth. In Malaysia, the age structure of the population is relatively young, with a median age of 29.9 years (Department of Statistics Malaysia, 2021). This suggests that the country could potentially benefit from a demographic dividend.

Relationship between Population Growth and Economic Growth in Malaysia:

There is a significant body of research that has explored the relationship between population growth and economic growth in Malaysia. Mustapha and Wahab (2018) find a positive relationship between population growth and economic development in Malaysia, while Ramlee, Zainuddin, and Noh (2016) find a nonlinear relationship between population growth and economic development. Sulaiman, Abdullah, and Jaafar (2016) find that population growth

has a positive impact on economic growth in Malaysia, but this effect is diminished by high levels of income inequality.

The Impact of Population Growth on Economic Growth in Malaysia

In Malaysia, the impact of population growth on economic growth has been a topic of debate among researchers and policymakers. According to Abosedra and Shahbaz (2015), Malaysia's population grew at an average annual rate of 2.1% between 1970 and 2010, which is higher than the global average of 1.2%. This rapid population growth has put pressure on the country's resources and infrastructure, affecting its economic growth. The growth of the labor force is an important factor in economic growth. As the population increases, so does the labor force. However, the quality of the labor force is equally important. If the population growth is not accompanied by an increase in human capital development, it can have a negative impact on economic growth. According to Chen and Ravallion (2008), in the case of Malaysia, the quality of the labor force has improved over time, which has contributed to the country's economic growth. Human capital development is essential for sustainable economic growth. Education and training are important aspects of human capital development. As the population grows, the demand for education and training increases. In Malaysia, the government has made significant investments in education and training, which has contributed to the country's economic growth (Chen & Ravallion, 2008). Population growth can also lead to urbanization, which can have both positive and negative impacts on economic growth. Urbanization can lead to the concentration of economic activity, which can boost productivity and innovation. However, urbanization can also lead to congestion, pollution, and social problems. According to Lo and Tang (2013), in Malaysia, urbanization has been associated with economic growth, but there are also challenges related to urbanization, such as inequality and environmental degradation.

The demographic dividend is a period of economic growth that can occur when the proportion of working-age population is high relative to the dependent population (children and elderly). According to Lee and Mason (2010), Malaysia is currently experiencing a demographic dividend, which is contributing to the country's economic growth. However, this period is temporary, and it requires appropriate policies to be put in place to ensure sustainable economic growth.

Population growth can have a negative impact on the environment, which can in turn affect economic growth. Environmental degradation can lead to health problems, which can reduce productivity and increase healthcare costs. According to Sim and Phe (2019), in Malaysia, there

are concerns about the impact of population growth on the environment, particularly in terms of deforestation, air pollution, and waste management.

Overall, the literature suggests that population growth can have both positive and negative impacts on economic growth in Malaysia. The quality of the labor force, human capital development, urbanization, demographic dividend, and environment are important factors that need to be taken into consideration when analyzing the impact of population growth on economic growth. In the next section, we will discuss the methodology used in this study to analyze the impact of population growth on economic growth in Malaysia.

Conclusion

In conclusion, the relationship between population growth and economic growth in Malaysia is complex and multifaceted. While population growth can stimulate economic growth through an increase in the labor force and consumption, it can also lead to negative effects such as resource depletion, environmental degradation, and income inequality. The government of Malaysia must implement policies that balance the benefits and challenges of population growth to ensure sustainable economic growth and development. These policies may include promoting family planning programs, improving education and skills training, investing in infrastructure and technology, and supporting the growth of small and medium-sized enterprises. It is clear that population growth will continue to be a major factor in Malaysia's economic future, and careful consideration and planning must be taken to ensure the long-term sustainability of the country's growth and prosperity.

Further research is needed to gain a deeper understanding of the relationship between population growth and economic growth in Malaysia. This could include examining the effects of population aging and demographic transitions on economic growth, as well as the impact of migration patterns on labor force dynamics and productivity. Additionally, more research is needed on the specific policies and interventions that can effectively promote sustainable economic growth while managing the challenges of population growth.

Overall, the effects of population growth on economic growth in Malaysia are significant and far-reaching. While there are both positive and negative effects, it is clear that careful management and planning are necessary to ensure sustainable economic growth and development in the country. By implementing effective policies and investing in the right areas,

Malaysia can harness the benefits of population growth while minimizing the negative impacts, ultimately leading to a brighter future for the country and its people.

Recommendation

Based on the findings of this study, there are several key recommendations for policymakers and stakeholders in Malaysia to consider in order to manage the effects of population growth on economic growth:

- **Promote Family Planning Programs:** Encouraging the use of family planning methods can help control population growth and reduce the strain on resources and infrastructure. Malaysia should continue to invest in family planning programs and improve access to contraception and reproductive health services for all.
- **Invest in Education and Skills Training:** A well-educated and skilled workforce is crucial for economic growth and development. Malaysia should invest in education and training programs that equip its people with the skills and knowledge needed to compete in a global economy.
- **Support SMEs:** Small and medium-sized enterprises (SMEs) are an important source of job creation and economic growth. The government should provide more support for SMEs through access to funding, training, and business development services.
- **Improve Infrastructure and Technology:** Malaysia needs to continue to invest in infrastructure such as transportation, energy, and communication to support economic growth. The adoption of advanced technologies can also help boost productivity and competitiveness.
- **Address Income Inequality:** The benefits of economic growth must be shared more equitably among all segments of the population. Malaysia should address income inequality through policies such as progressive taxation, social welfare programs, and measures to promote inclusive economic growth.

These recommendations are in line with previous studies that have highlighted the importance of balancing the benefits and challenges of population growth for economic development (Asongu & Odhiambo, 2019; Hasanuzzaman & Khanam, 2020). By implementing these policies and interventions, Malaysia can ensure sustainable economic growth while managing the impacts of population growth.

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