The Determinants of Economic Growth in Turkey: 1980 - 2010

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Master of Economics
Universiti Utara Malaysia
December 2012
The Determinants of Economic Growth in Turkey: 1980 - 2010

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Project paper submitted to
Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
In Fulfillment of the Requirements for the Award of Master’s Degree in Economics
December 2012
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ACKNOWLEDGMENTS

First of all, I would like to thank Allah, the one above all of us and omnipresent for answering my prayers for giving me the strength to plod, and for giving me the time, health, and ability to accomplish this work despite all the circumstances.

It is with great pleasure to express my gratitude for every person who helped and supported me to complete my project. This project would not have been possible without the help, encouragement, suggestions and support from many people who are gratefully acknowledged here.

I would like to extend my deepest thanks to my academic supervisor Dr. Sallahuddin Hassan. Under his guidance, I have been able to complete my project. All along he has guided me with his valuable and rightful suggestions for the improvement of my project. He was always ready to listen and better evaluate my arguments. Moreover, his feedback was insightful and greatly enhanced this thesis.

I also wish to thank to Dr. K.KuperanViswanathan for proof reading my project paper, talking out ideas.

I am also grateful to my lecturers at the Universiti Utara Malaysia, who gave me a lot of knowledge, cultivated my interest in economics and thus, led me to the field of academic research. I will always be thankful to them for everything they have taught me throughout my academic study at the university.

In addition, I am indebted to my dear friends. Their friendship, love and kindness always encouraged me to overcome difficulties in my study. I owe them since they always supported and gave full attention for me to solve my problems and gave the enjoyable studying environment. They made my life at UUM a truly memorable experience and their friendship is invaluable to me.

Last but not the least, I wish to thank and extend my thanks to my beloved family members for always being there for me, specifically my late father who always supported and encouraged me. His words of inspiration and encouragement in pursuit of excellence still ring in my mind. Words fail me in expressing my heartfelt thanks to my mother and to my lovely wife for their unquestioning love and patience, understanding and believe in my effort, and for their constant support and prayers. Over and over again, I thank God for showing me the path.

Karwan Khalid Hamad
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ABSTRACT

Many factors affect economic growth, some factors increasing economic growth and others decreasing economic growth. Economic growth is usually measured by the percentage rate of increase in gross domestic production (GDP). The study focuses on investigating determinants of economic growth in Turkey. The study used annual time series data from 1980 - 2010. This study used the variables; foreign direct investment (FDI), export (EXP), inflation (INF) and government debt (GD) are used as determinants of economic growth in Turkey. The test for the unit roots has been performed by employing the Augmented Dickey Fuller (ADF) test. Long run and short run estimation have been investigated by using Johansen Cointegration and Error Correction approach. The findings of the study reveal that in the long run economic growth in Turkey is positively influenced by FDI and EXP. These variables have significant positive impact on GDP in the long run. If FDI and EXP are increased by USD1 million, GDP is increased by USD942.29 million and USD247.19 respectively. INF has a positive impact on GDP. When INF is increased by one percent, GDP will increase by USD83495.44 million. Although, this result is contradictory with the theories and many evidences, but it is still supported by Datta and Mukhopadhyay (2011). On the other hand, the GD is statistically significant and has a negative effect on GDP. In the short run, lag one of GDP, EXP and GD are among all those independent variables that have short run impact on GDP. Even though FDI and INF are statistically significant in the long run, but in the short run, they are not significant variables.
ABSTRAK

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter provides a general introduction of the study. It includes six main sections, namely; the first section introduces the background of the study while the second one is about the problem statement. The third section of this chapter examines the research questions. The objectives of the study are stated in fourth section. The significance of the study is stated in the fifth section. Lastly, in the sixth section the organization of the study is unlined.

1.2 BACKGROUND OF THE STUDY

It is always fascinating for economists to ask why some countries grow faster than others. Why some countries are richer than others? What is the engine to drive economic growth? These questions have plagued economists and policy makers for decades. The differences between developing and developed countries are many. Some countries have become more reliant on consumer goods, intermediate goods and capital from their trading partners. More importantly, countries increasingly depend on technology transfer from abroad for increasing economic growth.

The beginning of 1980s constituted a turning point in the economic life of Turkey. At that time, the Turkish government decided to shift the economy from an inward oriented and protective system to an outward oriented and liberalized environment. In 1980, it initiated a series of reforms to accomplish a major policy shift from import substitution to
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REFERENCES


