

Internet Consumption and Economic Growth in Malaysia's Post-Covid 19 Economic Recovery Efforts

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Abstract

This study intends to look into the link between home consumption, internet users, and economic growth in Malaysia as an effort to understand the condition of the three variables before the COVID-19 pandemic took place as an investigation of important indicators in efforts to recover the economy after the COVID-19 pandemic. We collected data from the world bank. We estimate the relationship between the variables of Education, Consumption, and Economic Growth in Malaysia using the Vector Autoregression (VAR) method in our research. We found that domestic consumption in Malaysia is important in driving economic growth and internet literacy in Malaysia. Domestic consumption before the Covid-19 era in Malaysia was a trigger for the increase in internet use in Malaysia as well as encouraging economic growth in Malaysia. It is important for Malaysia to consider increasing domestic consumption Malaysia using internet technology facilities in the pandemic and post-pandemic era as an effort to recover the Malaysian economy.

Keywords: Technology, Consumption, Economic Growth, Covid 19, Internet

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Background

An unprecedented danger to the socioeconomic well-being of nations throughout the world is posed by the COVID-19 pandemic (Viphindartin, Wilantari, & Bawono, 2022). Alarming data, such as the number of COVID-19 cases and fatalities, is frequently published to help understand the severity of the toll. Many nations must take immediate action to safeguard the population's health and well-being. Everywhere there are job cuts. A record number of businesses have experienced revenue loss and bankruptcy, which has led to the loss of millions of jobs or layoffs (Rahman, Islam, & Islam, 2021).

A large number of workers in all parts of the value chain, as well as those working in the informal sector (especially women), face the most severe challenges, including a lack of social protection, including unemployment benefits. Both the government and the business world have an important role in preventing and minimizing the effects of abuses of human rights. A crisis in relation to entrepreneurship, as well as in ensuring measures aimed at the effect of economic recovery based on respect for human rights (Sajjad & Eweje, 2021).

The core of the quick response to the crisis and better rebuilding initiatives involve both commercial interests and human rights. It placed a focus on stopping and addressing the biggest human rights issues, especially in situations of poverty and discrimination. Notwithstanding the COVID-19 pandemic's unusual condition, actions may and should be founded on widely acknowledged human rights principles, such as the Guiding Principles. Here is a quick summary

of the three components that make up the Protection, Compliance, and Remedy framework of the Guiding Principles and are insufficiently covered in this note's summary of certain issues and recommendations for action (Flores & Rubin, 2022).

The COVID-19 epidemic persists, and various parts of the world experience the catastrophe in different ways. These resource records and listings will be updated regularly to reflect analysis, comprehension, and reaction to the crisis' effects on commerce and human rights (Lee & Haupt, 2021).

The first principle is based on the current human rights commitments recognized in international law and controls nations' duty to defend human rights. To fulfill their commitment to protecting human rights in cases of business-related violations, as outlined in the Guiding Principles (Bennoune, 2020).

The interests of workers, especially those who are most disadvantaged and vulnerable, must be taken into consideration in any steps made by the government to lessen the economic burden of the pandemic. During the COVID-19 epidemic, several countries made the appropriate choice to improve the support system for these populations. When reacting to the COVID-19 problem, nations should adopt an appropriate combination of legal and policy measures to demand and assist enterprises to respect human rights (Danielli, Patria, Donnelly, Ashrafiyan, & Darzi, 2021). Since the start of the pandemic, there have been numerous reports of workers being forced to work in unsafe conditions, illegal dismissals, harassment of union leaders, and others raising the issue of a lack of personal protective equipment in the workplace (Brown, 2021). In the event of such a violation, in accordance with international human rights law, the victim must have access to effective remedies through legal procedures (Schormair & Gerlach, 2020). State grievance procedures that work well include both judicial and non-judicial, as well as non-state mechanisms, are essential to ensure that victims of human rights violations can seek redress (Wielga & Harrison, 2021). The effectiveness of such mechanisms is critical in times of crisis when they must address new pressing issues that need to be addressed (Boin, 2019).

An economic recovery after a pandemic is as dangerous as a person's recovery after the coronavirus (Koonin, 2020). When the worst is over, a real threat to health remains, and requires attention, and, if necessary, treatment. And for the economy, such a worrying symptom is accelerating inflation. This symptom cannot be ignored, policy tightening after last year's loose monetary policy period, needs to be done. If the economy is facing a pandemic and high inflation at the same time, then it will have to deal not only with temporary financial losses for citizens and companies and slowing growth. GDP, but also with inflation, which will eat up income (Kabadayi et al., 2020).

The world economy is suffering significant harm, particularly in developing nations, because of the coronavirus outbreak and the economic slump. The international community and developing nations may act now to hasten the end of the worst part of this health catastrophe and lessen its long-term harmful impacts (Huynh, Truong, Duong, Nguyen, Dao, & Dao, 2021).

Short-term responses to health emergencies and essential public service guarantees need to be complemented by comprehensive policies that actively promote long-term economic growth, including through improving governance and the business climate, expanding investment in education and health, and increasing effectiveness (Barbier, 2020).

Financing and building productive infrastructure are one of the biggest challenges in the post-pandemic recovery period (Aganbegyan, Klepach, Porfiriyev, Uzyakov, & Shirov, 2020). A pandemic-driven economic downturn is likely to make decades of economic growth and productivity slowdown worse. These factors are crucial for raising living standards and lowering

poverty (Shingare & Kanoi, 2020). A further disparity caused by slowing economic growth is that the poor and vulnerable have been among the hardest hit by the pandemic and economic disruption, including through contagion, school closures, and reduced remittances (Olivia, Gibson, & Nasrudin, 2020).

The internet is one of the technologies that is still possible to assist economic recovery during the COVID-19 period and has the potential to help in post-covid-19 economic recovery (Sulisnaningrum, Widarni, & Bawono, 2022). The increase in domestic consumption is one of the tools to revive the economy through increasing the demand side by increasing social safety nets to help economically weak citizens to survive and continue to consume (Bawono, 2021). The impact of increased consumption is the impetus for increased production and has an impact on the movement of the economy (Widarni & Bawono, 2022).

This study intends to look into the link between home consumption, internet users, and economic growth in Malaysia as an effort to understand the condition of the three variables before the COVID-19 pandemic took place as an investigation of important indicators in efforts to recover the economy after the COVID-19 pandemic.

Research Method

We collected data from the world bank. We estimate the relationship between the variables of Education, Consumption, and Economic Growth in Malaysia using the Vector Autoregression (VAR) method in our research, following the following equation model:

$$Y_t = C + A_1 Y_{t-1} + \dots + A_p Y_{t-p} + e_t$$

Where $Y_t = (Y_{1t}, \dots, Y_{Kt})$ is the set of K time series of variables, c is K x 1 vector of constants, A is K x K coefficient matrix and e_t is error terms.

This study focuses on the 20 pre-corona or 20 years before covid 19 became a pandemic based on past data sets for the period 2000 to 2019 with the assumption that variables outside of the main variables we studied did not change.

Results and Discussion

We estimate the relationship between the variables of Education, Consumption and Economic Growth using Vector Autoregression with the estimation results presented in table 1.

Table 1. Vector Autoregression Estimation Results

	GDP	INTERNET_USER	CONSUMPTION
GDP(-1)	1.182331*	0.441121	0.032117*
	-0.14511	-0.09121	-0.02271
	[5.35121]	[0.03117]	[1.71211]
INTERNET_USER(-1)	-3211.211	0.241132*	372.2427
	-4117.24	-0.12114	-226.124
	[-0.55111]	[1.71121]	[1.71123]

CONSUMPTION(-1)	1.721141*	0.000291*	1.211261*
	-0.31411	0.00031	-0.23113
	[2.72211]	[1.31127]	[4.61112]
R-squared	0.983408	0.997414	0.999768
Adj. R-squared	0.974358	0.996003	0.999641

With a coefficient of 1.18233 and a t statistic of 5.35121, historical GDP has a sizable positive impact on present GDP. However, GDP has no effect on internet users in Malaysia. GDP has a direct impact on Malaysian consumption, with a 0.032117 coefficient and a 1.71211 t statistic. Internet users only have a significant effect on the internet users themselves with only a coefficient of 0.241132 and then a t-stat of 1.71121. Domestic consumption in Malaysia has significantly boosted internet usage and domestic consumption and has also boosted Malaysia's GDP. This is quite interesting because domestic consumption in Malaysia is an indicator of driving economic growth as well as driving internet literacy in Malaysia.

Conclusion

Domestic consumption in Malaysia is important in driving economic growth and internet literacy in Malaysia. Domestic consumption before the Covid-19 era in Malaysia was a trigger for the increase in internet use in Malaysia as well as encouraging economic growth in Malaysia. It is important for Malaysia to consider increasing domestic consumption in Malaysia using internet technology facilities in the pandemic and post-pandemic era as an effort to recover the Malaysian economy.

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