

DETERMINING THE INCOME ELASTICITY OF DEMAND FOR HEALTH EXPENDITURE : AN EMPIRICAL ANALYSIS

¹Farhana Binti MAHARUDIN, ²Zahariah Binti Mohd ZAIN and ³Irfah Najihah Binti Basir MALAN

¹Faculty of Economics and Management, Universiti Putra Malaysia, 43400 Serdang, Selangor
sakuragirl@yahoo.com

²Faculty of Business Management, Universiti Teknologi MARA, 40450 Shah Alam, Selangor
zahar297@salam.uitm.edu.my

³Graduate School of Business, Universiti Teknologi MARA, 40450 Shah Alam, Selangor
irfajiha@gmail.com

Abstract

The main purpose of this study is to investigate the long-run relationship between public health care expenditure and income in Malaysia. There are many factors that affect health care expenditure positively such as income per head, population, the ageing population and national saving. The public health care is essential for economic growth and hence needs greater government involvement. The results of the unit root test indicated that all variables involved are stationary. The Johansen cointegration test can be preceded in the purpose to determine the existence of long-run relationship between variables. The precedence showed at least one cointegration vector for aggregate data models in Malaysia. Through the VECM, the aspect of goods of health care can be determined whether they are of luxury, normal or inferior levels. Different country has different health care. The results showed that Malaysia considered health care as inferior goods. Finally, there is granger causality between variables in Malaysia. Government should take steps to stabilize the economy and ensure health care is considered as normal goods. To conclude, the public health care expenditure has not only affected by the income, but also other economic variables which play significant roles towards public health care expenditure in Malaysia.

Keywords: Public health care, expenditure, income, Malaysia

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