

**THE EFFECT OF GOVERNMENT POLICY ON STOCK MARKET RETURN IN
MALAYSIA**

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ABSTRACT

This paper is mean to think about the dynamic association between government arrangement and the stock return evaluated by Kuala Lumpur Composite Index (KLCI) from 2011 to 2018 which contain quarterly data of 32 observations in Malaysia. This paper will use Ordinary Least Square (OLS) test to choose the important relationship of the components. In order to identify the econometric problems in the study, Multicollinearity test, Heteroscedasticity test, Sequential Relationship test and Ordinarity Appropriation test will be coordinated. To put it plainly, there were no econometric issue in this examination and simply the autonomous variable money supply and tax revenue showed to a positive significant relationship with the stock return. Conversely, government budget, interest rate and inflation rate does not have significant relationship with stock return.

Keywords: Money supply, tax revenue, government budget, interest rate, inflation rate, Ordinary Least Square (OLS), Normality test, Multicollinearity test, Heteroscedasticity test and Serial Correlation test.