



**THE EFFECT OF FINANCIAL DEVELOPMENT TOWARDS POVERTY
REDUCTION IN MALAYSIA**

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ABSTRACT

This paper aims to see if financial development influences poverty reduction in Malaysia. By using the data from Malaysia, using time series from the year 1986 until 2015. the theory used in this study is McKinnon (1973) conduit effect theory and Shaw (1973) intermediation effect theory. This study is to identify whether financial development has a significant effect on poverty reduction. As for poverty is indicated by the headcount ratio. Meanwhile for the independent variable that used for financial development is private credit to GDP, liquid liabilities to GDP and domestic money bank asset to GDP. The OLS model used to run the regression using Eviews 9. As for the result of the variable is significant towards poverty reduction. This study give benefit to the readers, government and can be useful how to overcome the poverty reduction.