

UNIVERSITI TEKNOLOGI MARA

FINANCIAL DEVELOPMENT AND INCOME
INEQUALITY IN PAKISTAN AND MALAYSIA

FARHANNA SHAFIQKA BINTI KAMARUDIN
2016629522

Final Year Project Paper submitted in fulfillment of
the requirements for the degree of
Bachelor of Business Administration
(Finance)

Faculty of Business and Management

December 2018

AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of

my study and research.

Name of Student	Farhanna Shafiqka Binti Kamarudin
Student I.D. No.	2016629522
Programme	Bachelor of Business and Administration (Hons) Finance.
Faculty	Business and Management
Thesis	Financial Development and Income Inequality in Pakistan and Malaysia

Signature of Student

December 2018

Date

ABSTRACT

Most of country that well develop usually based on their well-being financial development. Financial development is government and private sector development strategy to stimulate economic growth in term aligned with reduction of poverty. Income inequality means the effect from the unbalance household income that invite to the gap between the rich and poor. Financial development that consist four components such as domestic credit to private sector (% of GDP) as indicator for financial development, real GDP per capita, consumer price index and trade. This study aims to investigate the relationship between financial development and income inequality in Pakistan and Malaysia by using Gini coefficient as indicator for income inequality. The data from this study collected from secondary data and quantitative approach which is times series and multiple regression model represented by the ordinary least square (OLS). The dependent variable for this study is income inequality (GINI) and for independent variables are financial development (FD), real GDP per capita (RGDP), consumer price index (CPI) and trade. The sample of 2 countries was chosen with the time period 30 years from 1987 until 2016. The data will be relied on yearly basis that obtain from World Development Indicator.

ACKNOWLEDGEMENT

Firstly, Alhamdulillah to Allah for giving me the opportunity to embark on my study and for completing this long and challenging journey successfully. My gratitude and thanks go to my supervisor Puan Nor Hazila Binti Ismail.

My appreciation goes to Puan Nur Liyana Binti Mohamed Yousop and other lecturers who never give up give guideline in completing this research. Special thanks to my colleagues and friends for helping me with this research.

TABLE OF CONTENTS

AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	
TABLE OF CONTENT	
LIST OF TABLES	vii
LIST OF FIGURES	
LIST OF ABBREVIATIONS	ixx
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Research Background	1
1.3 Problem Statement	2
1.4 Research Questions	3
1.5 Research Objectives	4
1.6 Significance of the Study	4
1.7 Scope of the Study	5
1.8 Limitation of the Study	5
1.9 Definition of Key Terms	5
1.10 Summary	7
CHAPTER TWO LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Financial Development	8
2.3 Real GDP per capita	8
2.4 Consumer Price Index	9
2.5 Trade	9
2.6 Income Inequality	10
2.7 Research Framework	11
2.8 Summary	11