

**UNIVERSITI TEKNOLOGI MARA**

**EFFECT OF FINANCIAL DEVELOPMENT  
ON ECONOMY GROWTH IN MALAYSIA**

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**Final Year Project Paper submitted in fulfillment of  
the requirements for the degree of Bachelor of  
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## **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.

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## ABSTRACT

Financial development is a part of the private sector development approach to encourage economic growth and reduce poverty. Financial development thus involves the establishment and expansion of instruments, institution and market that support this investment growth and process. Financial development may be defined as development in the size, efficiency and stability and access to financial system. Basically, the development of financial sector focuses on overcoming cost incurred by the financial system which channel capital to most productive uses are useful to economy growth. The role of financial market to economy growth is essential to preserve the competitiveness of an economy today given the strongly increase international competition, rapid technological process and increase role of innovation for growth performance. Besides that, financial sector also provide the basic for job creation. The objective of this study is to determine the effect of Financial Development on Economy Growth in Malaysia. GDP growth in Malaysia was used as proxy for economy growth. Broad Money and Private Sector Credit was used as proxy for financial development variable. Meanwhile, Trade Openness and Gross Fixed Capital Formation were used as control variable. Sample of this study will be obtained by using the World Bank Data. All this information will be gathered in yearly term for each variable which covering the thirty year from period 1987 to 2016. This study will be conducted by using multiple regressions. The result for this study is there is negative significant effect between Private Sector Credit and GDP in Malaysia. Meanwhile there is no significant effect between Broad Money and GDP in Malaysia.

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