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SHAH ALAM

BUDGET: IMPACT TO KLSE FINANCE COUNTER

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## **ABSTRACT**

**The main objective of this study is to analyse the impact of the Budget Announcement to the Price, Volume and Index of KLSE Finance Counter. The sample data of Price, Volume and Index were collected thirty days before and thirty days after the Budget Announcement for the period of seven years (1991-1997). Some previous studies review which are considered as close related to this study also include to guide the researcher in conducting this research.**

**A Simple Linear Regression Analysis is used to obtain the findings of this study. To conduct the analysis, SPSS had been used under Stepwise Method. There are sixteen findings come out from the analysis.**

**From the analysis carried out, it can be concluded that only Price and Index have significant correlation to the Budget Announcement (ie EPF Contribution, Corporate Tax and Personal Income Tax). Whereas, Volume does not correlate to the Budget Announcement. Therefore, in the future, participants of KLSE Market can expect a changes in Price and Index when Budget Announcement touch on EPF Contribution, Corporate Tax and Personal Income Tax. The price trend analysis also give a same result as Regression Analysis.**

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## **CHAPTER ONE**

### **1.0 Introduction**

Every Friday on the third week of October, the Minister of Finance will announce the budget of the following year in the Parliament Hall. Everybody is eager to hear the budget announcement especially the participants in the stock market.

It cannot be denied that the budget announcement has an impact to the Kuala Lumpur Stock Exchange (KLSE) market. As what has happened on October 29, 1993 during the airing of the Budget itself, the Kuala Lumpur Composite Index (KLCI) and Emas indices closed at new records highs of 971.99 and 288.04 points respectively. Unlike Budget 1994, when the market rallied to close at record high on budget day itself, the 1995's Budget week have been a mixed one. Many who expected a repeat of a pre-budget rally, were disappointed as daily volume dipped below 200 million in lackluster trading. After several days of minor losses, the Composite Index (CI) notched up 11.3 points to close at 1,113.04