

AN EMPIRICAL EVIDENCE OF FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

FILZAH HAZIYAH BT AHMAD SHAR 2009227192

BACHELOR IN BUSINESS ADMINISTRATION
WITH HONOURS (BUSINESS ECONOMICS)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU, SABAH

APRIL 2011

ABSTRACT

Financial development has been considered as one of the major in determinant factor in economic growth. We consider indicators in financial development are M1, M2 and M3 as independent variable in enhance in economic growth. The modes understudied are based on Unit Root test, Cointegration test and Granger Causality tests. All of these methods used to know the relationship between financial development and economic growth is an existing or not. The data will cover from 1980 until 2009 which are 30 years data in Malaysia.

BBA (Hous) Business Economics .

ACKNOWLEDGEMENTS

Syukur Alhamdulillah thanks to Allah S.W.T, the All Mighty for His blessing and guidance during my difficulties in preparation of this final project.

My special thanks to Madam. Sumaffiatiee Sulong as supervisor, Miss. Rainah Ginsad as cosupervisor, for the guidance, comments, advise, ideas, patience, and valuable time for helping me organize my ideas in the preparation of this final year report.

Special thanks to my beloved parents and also all my family members, Siti Zuhairah Bt.

Ahmad Shah, Mohd Firdaus B. Ahmad Shah, Nur Adni Bt. Ahmad Shah, Muhammad

Mahyuddin B. Ahmad Shah, Muna Hanisah Bt. Ahmad Shah and Ili syazwani Bt. Ahmad

Shah; and my little sister Dayang Shelyna Bt. Datu Husaini, for their support and

understanding in preparing the final year report, May Allah bless them.

Without the help and support from a number of people it would not have been possible to prepare this thesis. I also like to thanks all other helps that enabled me to complete this thesis. Without their commitment and dedication, this thesis would not have materialized.

FILZAH HAZIYAH BT AHMAD SHAH

TABLE OF CONTENTS

PARTICULARS	PAGES
USE OF STUDY	ii
PREFACE	iii
ABSTRACT	iv
DECLARATION	v
ACKNOWLEDGEMENT	vii
TABLE OF CONTENTS	viii
LIST OF TABLES	x
LIST OF FIGURE	xi
LIST OF ABBREVIATIONS	xii
CHAPTER 1	
INTRODUCTION	1
1.0 Background of Study	2
1.1 Problem Statement	2
1.2 Research Objective	3
1.3 Significance of the Research	3
1.4 Limitation of Study	4
1.5 Organization of the Thesis	5
CHAPTER 2	
LITERATURE REVIEW AND THEORY	6
2.0 Overview of the Literature Review	6
2.1 Theories Associated with this Study	7
2.2 Literature Review	7
2.2.1 Role of Each Variable Factors	12
2.2.2 Overview of Financial Sector Development	14

2.3 Conceptual Framework	16
2.4 Literature Review Conclusion	17
CHAPTER 3	
DATA AND METHODOLOGY	18
3.0 Introduction	18
3.1 Data	18
3.2 Measurement of Variables	18
3.3 Research Design	19
3.3.1 Unit Root Test	20
3.3.2 Cointegration Test	22
3.3.3 Granger Causality Test	22
3.4 Statistical Software Use	23
3.5 Conclusion of Chapter	23
CHAPTER 4	
RESULT AND FINDING	24
4.0 Introduction	24
4.1 Finding	24
4.2 Conclusion of Chapter	34
CHAPTER 5	
CONCLUSION AND RECOMMENDATION	36
5.0 Introduction	36
5.1 Recommendation	37
5.2 Conclusion	38
REFERENCES	39
APPENDICES	41