

UNIVERSITI TEKNOLOGI MARA

**INTERDEPENDENCE BETWEEN
ISLAMIC CAPITAL MARKET AND
MONEY MARKET IN MALAYSIA**

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Dissertation submitted in partial fulfilment of the
requirement for the degree of
Master in Islamic Banking and Finance

Arshad Ayub Graduate Business School

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AUTHOR'S DECLARATION

I declare that the work in this dissertation 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 dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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ABSTRACT

This study investigates VAR Toda-Yamamoto's causality test between Islamic capital market (FBMESI) and money market (IIMMR) with macroeconomic variables (BLR, M2, ER, IPI, GDP, CPI, WOP, GDPC, VIX, and FRR). The purpose of this study is to analyze the information content of Islamic capital market and Islamic money market with respect to several macroeconomic indicators. The Toda-Yamamoto bivariate and multivariate causality test was employed. The findings from the bivariate and multivariate causality test show that the IIMMR either a one-way or two-way causality relationship with all macroeconomic variables employed (BLR, M2, ER, IPI, GDP, CPI, WOP, GDPC, VIX, and FRR). FBMESI have only one-way or two-way causal relationship with (BLR, M2, IPI, GDP, CPI, WOP, GDPC, and FRR). ER, IPI, and FRR and a two-way causal relationship with GDPM in a bivariate and multivariate causality test. It can be conclude that from the Toda-Yamamoto's bivariate and multivariate causality test, IIMMR have more information content related to macroeconomic variables compared to FBMESI, thus more suitable to be the indicator for monetary policies for regulator (BNM)

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