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THE ROLE OF STOCK MARKET DEVELOPMENT IN ECONOMIC GROWTH: EVIDENCE FROM MALAYSIA

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA Johor Branch, Segamat, Johor. 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 Undergaduate, Universiti Teknologi MARA Johor Branch, Segamat, Johor regulating the conduct of my study and research.

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ABSTRACT

Regardless of this vast empirical evidence, a number of questions remain unanswered and unidentified. The fluctuations of stock market in Malaysia shows a significant movement after the financial crisis which also happened to the gross domestic product (GDP). Therefore, is economic growth are actually affected by the stock market development in a case of Malaysia? Are stock market development are still relevant to be measure in order to predict the economic condition in the future. Hence, the purpose of this study is to investigate the relationship between stock market development and economic growth in Malaysia for the period of 1986 to 2015. The stock market development can be seen through its liquidity, size of the market and the activeness of the market in Malaysia which is KLCI. Therefore, as the proxies, market capitalization, total traded value and turnover ratio are being used to estimate the development of the stock market in Malaysia while Gross Domestic Product (GDP) are used to measure economic growth. The Ordinary Least Square (OLS) regression will be used to analyse the data and identify the relationship between the variables. From the past researches, stock market proxies to economic growth show a significant relation between market capitalization, total trade value and turnover ratio on the GDP and FDI. Besides, the results of the past study advocate that the stock market evolution and economic growth have long-run relationship. All the proxies indicate the liquidity and the activeness of the stock market which eventually have a positive relationship with economic growth. Therefore, it can be claimed that the stock market liquidity do help to improve the future economy.

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