



**UNIVERSITI TEKNOLOGI MARA**

**THE RELATIONSHIP BETWEEN FINANCIAL  
DEVELOPMENT AND ECONOMIC GROWTH IN  
MALAYSIA**

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Final Year Project Paper submitted in fulfillment  
of the requirements for the degree of  
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## **AUTHOR'S DECLARATION**

I am Nurlianna Binti Roslan affirm that the work in this final year project (thesis) was carried out in according with the regulations of Universiti Teknologi MARA Segamat, Johor. It is original work and the results of my own work and effort, otherwise indicated or acknowledged as referenced work that have been cited. This thesis has not been submitted to any other academic institution or non-academic institution for any grade or qualification.

I, hereby admit that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, Johor Branch, Segamat Campus regulating the conduct of my study and research.


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## **ABSTRACT**

2018 is a good year for Malaysian economy but what is the factor that boost the economy of Malaysia? According to the Hassan, Sanchez, & Yu, (2011) studied the relationship between financial development and economic growth in developing country by using panel data as a method and found that there is exist a positive relationship between financial development and economic growth. Therefore, the purpose of this study is to investigate the relationship between financial development and economic growth in Malaysia by using annual data from the World Development Indicators and International Monetary Fund (IMF) during the period of 1981 – 2016. To elaborate the results, multiple regression models are used by using E-views. The findings of this study are via measuring stock market development which are market capitalization and total value of shares traded are highly significant towards the economic growth in Malaysia while via measuring banking development only narrow money(M1) and broad money (M3) are significant towards the economic growth in Malaysia. However, private sector credit is failed to reject the null hypothesis, hence it indicate that private sector credit is insignificant towards economic growth in Malaysia. This study can conclude that financial development has relationship towards the economic growth in Malaysia.

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