



UNIVERSITI TEKNOLOGI MARA

**RELATIONSHIP BETWEEN
SINGAPORE STOCK MARKET AND
ITS ECONOMIC GROWTH**

**ELIZA SHAFIQA BINTI ISHAK
2015136747**

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Finance**

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ABSTRACT

This study examines the relationship between Singapore stock market and its economic growth. The dependent variable of this study is Gross Domestic Product (GDP) and independent variables are market capitalization derived as a percentage of GDP is used as a proxy for stock market size, whereas stock market liquidity is the stock traded, turnover ratio value share derived as a percentage of GDP. To measure the financial intermediary development, domestic credit to the private sector divided by GDP will be used because this variable measures the role of banks in provision of longer-term financing to private corporations. Foreign direct investment will be used because FDI is increasingly being recognized as a major source of economic development. Lastly, Singapore Straits Times Index will be used as indicator for Singapore stock market performance. The data consist of 30 observations annually from 1987 until 2016. This study used quantitative secondary data that is time-series data and multiple regression models represented by the ordinary least squares (OLS) to examine the relationship between Singapore stock market and its economic growth. The results from this study reveal that stock market size, stock market liquidity and financial intermediary have significant relationship with economy growth whereas foreign direct investment and Singapore Straits Times Index do not have significant relationship with economic growth in Singapore.

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Lastly, I hope this project paper would be beneficial to others researcher and for further observation done in the future. Thank you.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

In this chapter, it will discuss the background of the study, problem statement, research question, significant of study and scope of the study. This paper primarily focuses on the relationship between Singapore stock market and its economic growth. I believe there is a connection between financial stock market and economic growth. I will discuss further this in the background of the study.

Furthermore, the research objective will tell us the specific aim of this study. This is the crucial part of the guidelines to conduct this research. Besides that, the research question in this chapter will discuss the question related to the theoretical framework in our research. Normally, research question will give us the question mark about how independent variable and dependent variable relate each other. Next, in significant of study, the public will understand the reason why this study being conducted in details. At least they will get some idea to understand the relationship between stock market and economic growth. The scope of the study will explain more about limitation areas for this research.

1.2 Background of Study

Stock market, in last two decades, has proved prosperous in gaining the interest of researchers and policy makers. Capital market contributes a crucial position in the expansion of many nations. In particular, there has been a special interest in figuring out the role that the stock market has in this context, giving way to the implementation of a critical theoretical and empirical framework wherein the hyperlink between the stock market and the economic growth of a country or group of countries is analyzed. Dritsaki and Dritsaki-Bargiota (2005) recommended that a state requires a greater amount of