THE RELATIONSHIP BETWEEN STOCK MARKET AND ECONOMIC GROWTH IN MALAYSIA

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TABLE OF CONTENTS	PAGE
TITLE PAGE	ii
DECLARATION OF ORIGINAL WORK	iii
LETTER OF SUBMISSION	iv
ACKNOWLEDGMENTS	v
TABLE OF CONTENTS	vi-vii
LIST OF TABLES	viii
LIST OF ABREVIATIONS	ix
ABSTRACT	x
CHAPTER 1: INTRODUCTION	
1.1 Introduction	1-2
1.2 Problem Statement	3
1.3 Research Objectives	4
1.4 Significance Of Study	4
1.5 Scope Of Study	5
1.6 Limitations Of Study	5
CHAPTER 2: LITERATURE REVIEW	
2.1 Introduction	6
2.2 Literature	6-8
CHAPTER 3: DATA AND METHODOLOGY	
3.1 Introduction	9-11
3.2 Data collection	11
3.3 Theory and methodology	12-14
3.4 Theoretical framework	15
3.5 General hypothesis	16
CHAPTER 4: RESEARCH FINDINGS	
4.1 Introduction	17 18
4.2 Analysis measure for Agumented Dickey Fuller Test (ADF)(Unit Root Tests)	
4.2.1 Result Of Augmented Dickey Fuller Test (ADF)	
4.3 Analysis Measure For Johansen Co-Integration Test	19-20
4.4 Analysis Measure For Granger Casuality Test	21-22

TABLE OF CONTENTS	PAGE
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	
5.1 Conclusions	23
5.2 Recommendations	23
REFERENCES	24
APPENDICES	
Appendix 1 :LnGDP Unit Root Test (Level)	25
Appendix 2 :LnSMCR Unit Root Test (Levels)	26
Appendix 3 :LnTUR Unit Root Test (Levels)	27
Appendix 4 :LnVTR Unit Root Test (Levels)	28
Appendix 5 :LnGDP Unit Root Test (1^{st} Difference)	29
Appendix 6 :LnSMCR Unit Root Test (1^{st} Difference)	30
Appendix 7 :LnVTR Unit Root Test (1^{st} Difference)	31
Appendix 8 :LnTUR Unit Root Test (1^{st} Difference)	32
Appendix 9 :Johansen Co-Integration Test	33-35
Appendix 10 :Granger Causality Test	36

ABSTRACT

This study aims to investigate the relationship between stock market and economic growth in Malaysia using a 24-year time series data from 1989 until 2012. The method of this study analysis used is Granger Casuality Test and Johansen Cointegration Test. The study analyzes the relationship between stock market and economic growth. The stock market used stock market capitalization ratio as a proxy for market size while value traded ratio and turnover ratio were used as proxy for market liquidity. The results show that stock market capitalization ratio and stock turnover ratios have a very weak correlation with economic growth. Meanwhile, stock market has a strong positive correlation with value traded ratio.