

BUDGET AND STOCK MARKET

**A STUDY ON THE BUDGET ANNOUNCEMENT AND ITS EFFECTS
ON THE INDUSTRIAL SECTOR OF KUALA LUMPUR STOCK
EXCHANGE**

PREPARED BY:
ABDUL HADI BIN ZULKAFI
95021552

ADVISOR:
DATIN HJH. NARU AINI BT. ABDUL RAHMAN

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ABSTRACT

This study attempts to explore the impact of changes in our annual budget with particular on industrial sector of Kuala Lumpur Stock Exchange. Five companies that meet the sampling requirements were included in the sample of seven years period (1991-1997)

The stock performance is based on daily price of selected industrial counters, daily industrial volume and daily industrial index (30 days before and 30 days after the budget announcement). The budget variable is represented by corporate tax, income tax and EPF .

Using the regression and correlation analysis, an alternate hypothesis is developed. The hypothesis states that price, volume and index are dependent on those budget variables. Computed by a statistical package, SPSS, the coefficient of correlation , coefficient of determination and t-statistic test are used to quantify the relationship.

The empirical evidences from this study reveal that not all of the selected variables give the same direction result. It is concluded that the price of those industrial counters, industrial volume and industrial index are generally dependent on corporate tax, income tax and EPF in insignificant level. It is also indicated the the influence of market performance is not only based on changes of budget measures.

TABLE OF CONTENTS

	Page
Title Page	
Acknowledgement	I
Abstract	ii
List of Abbreviations	iii
List of Tables	iv
List of Appendices	v
CHAPTER ONE	INTRODUCTION
	1.1 Introduction 1
	1.2 Objective of The Study 6
	1.3 Scope And Limitation 6
	1.4 Organization of The Paper 8
CHAPTER TWO	OVERVIEW OF BUDGETARY SYSTEM, TAXATION AND STOCK MARKET IN MALAYSIA
	2.1 Budgetary System 10
	2.2 Taxation In Malaysia 13
	2.3 Stock Market In Malaysia 36
CHAPTER THREE	LITERATURE REVIEW 48
CHAPTER FOUR	BUDGET PROPOSAL AND EFFECTS ON STOCK MARKET (KLSE)
	4.1 The 1991 Malaysian Budget 55
	4.2 The 1992 Malaysian Budget 57
	4.3 The 1993 Malaysian Budget 60
	4.4 The 1994 Malaysian Budget 63
	4.5 The 1995 Malaysian Budget 65
	4.6 The 1996 Malaysian Budget 68
	4.7 The 1997 Malaysian Budget 71

CHAPTER FIVE	RESEARCH METHODOLOGY	
	5.1 Description of Data	75
	5.2 Sampling Procedure	76
	5.3 Data Analysis	77
	5.4 Sources of Data	83
CHAPTER SIX	EMPIRICAL FINDINGS AND INTERPRETATIONS	
	6.1 Amsteel Corporation Bhd.	88
	6.2 Hume Industries Malaysia Bhd.	90
	6.3 Malayan Cement Bhd.	93
	6.4 Malayan United Industries Bhd.	95
	6.5 Shell Refining Co. (FOM) Bhd.	97
	6.6 Industrial Index	99
	6.7 Industrial Volume	101
CHAPTER SEVEN	CONCLUSION AND RECOMMENDATION	104

Bibliography

Appendices