



UNIVERSITI TEKNOLOGI MARA

**CONTRIBUTION OF STOCK MARKET
PERFORMANCE TOWARDS ECONOMIC
GROWTH: AN EMPIRICAL STUDY IN
MALAYSIA**

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ABSTRACT

The total of stock value traded in Malaysia keep increasing in its trend for the past 32 years. In 2020, the total value of stock traded was the highest over 32 years period which at 248.608 US\$ whereas in 2010 the value of stock traded recorded was 114.789 US\$. Hence, in this research, researcher interested to investigate if the stock market performance in Malaysia influenced Malaysia's economic growth. The analysis that have been made by use the time frame of 32 years which from 1989 to 2020. The data needed to complete the analysis have been collected from World Bank Data since it is one of reliable secondary sources that can be access. In attempt to make a conclusion, the researcher has used descriptive analysis, correlational analysis and regression analysis as the research methodology. The dependent variable that have been used as indicator to measure economic growth are gross domestic product. In addition, there are five independent variables that have been used as stock market performance indicators which is market capitalization, total value of stock traded, turnover ratio of stock traded, exchange rate and interest rate spread. As for the result, the independent variables seem to have relationship with dependent variables, however the results implies the relationship between the dependent variable and the independent variables are not significant.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Stock market is a place where the buying and selling of shares happen. According to Lee, K.F., Kogid, M., Lily, J. (2020) stock market has a slightly positive impact towards the growth of the economy. Economic growth is essential to one country since it will determine the future of the country and the people. The growth in the economy will give benefits to the people of the country itself. When a country experiences growth in the economy, the demand of goods and services of the country will be higher and make the production become aggressive which will lead the unemployment rate to become lower. In a good economy, people tend to spend more than in a bad economy where people tend to keep the money to themselves instead of spending.

According to a research conducted by Chidoko, C., Sachirarwe, I. (2015), they discovered that investment gives a positive impact towards the economy of a country. In simple words, when the value of investment in one country increases in a particular year, the economic growth of the country of a particular year will increase as well. The study shows the positive relationship between investment and economic growth. Menshikov, A. V., Kalabashkina, Y. V., Zverev, S. A. (2015) in a research article said, investment is one of the crucial factors that contribute to the economy. In place to calculate both gross domestic product and gross national income, investment should be included in the equation which shows the necessity of investment in the growth of the economy of a country.

This research is carried out by the researcher to examine the relationship between the indicators usually used to determine stock market performance and the economic growth. The research will use data from Malaysia which will be collected from World Bank Data. The other factors that contribute to economic growth such as personal consumption expenditure, government expenditure, import and export will be excluded since the researcher wants to specify the research with the relationship of the stock market performance towards economic growth. For the analysis, the researcher