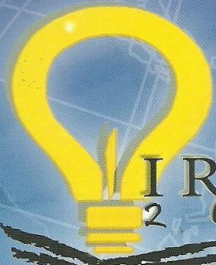




الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
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P-119 Cointegration and Causality between non-bank financial intermediaries and economic growth in Malaysia

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The question whether financial development influences economic growth has been examined in a large number of studies over the past four decades. Theoretically, the positive effects of financial development on economic growth are credited primarily to the functions it plays in the mobilization and allocation of resources needed to undertake productive investment activities by various economic agents. Theoretical literature argued that the increased availability of financial instruments and institutions greatly reduces transaction and information costs in economy which in turn influences savings rate, investment decisions, undertaking of technological innovations and hence the economic growth. A great deal of empirical works has also tested the finance-growth hypothesis in a various settings using different indicators of financial development in cross-country or time series studies. The tests found mixed results. They are; no causal relationship, growth causes financial development, financial development causes growth, and bidirectional relationship. However majority of the findings support that financial development plays the leading role in influencing economic growth. Surprisingly; most of the existing finance-growth literature uses either bank development or stock market development as proxy for financial development ignoring the development of non-bank financial intermediaries (NBFIs) as one of the significant components of the financial system development and its relationship with economic growth. In this paper we made an attempt to fill in the gap by investigating the causal relationship between NBFIs and economic growth in Malaysia for the period 1974-2004. By employing ARDL bounds testing approach to cointegration and the Granger non causality test in a multivariate vector error correction mechanism (VECM), we found that nonbank financial intermediaries and economic growth are cointegrated when economic growth is treated as the dependent variable. The finding shows evidence of a long-run causality running from nonbank financial intermediaries to economic growth, but not the vice versa..

P-138 Factorial Validity And Invariance of the Muet Writing Rating Scale: Empirical and Theoretical Correspondence

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The validity of performance assessment depends to a large extent on the rating scale that is used in the assessment procedure. It delineates the theoretical construct being measured and yield considerable influence on how performances are judged and interpreted. Implications of the use of rating scales are therefore far too important to be taken lightly, particularly in high-stakes standardized tests. This study investigates the factorial validity and invariance of a writing rating scale used in such a test – the Malaysian University English Test – in terms of its correspondence to empirical data and the theoretical construct of ESL writing through the use of confirmatory factor analysis (CFA). To test for factorial validity, a measurement model was developed based on the construct definition of the MUET rating scale and tested using AMOS, a data-fitting programme. CFA results of the 2-factor structure model underlying the MUET scale showed poor model-data fit. The measurement model was re-specified and re-tested iteratively. A 3-factor model, which is more consistent with the theoretical construct of ESL writing, was found to produce the best fit to the data. Factorial invariance of the 3-factor structure was then tested by examining the comparability of the structure and values of parameters within the measurement model across two samples which had been randomly drawn from the same population. Configural invariance of the 3-factor model was established. Metric invariance, however, could only be partially maintained. As the metric model produced better fitting fit indices compared to the baseline model, a more restrictive model was tested, where variances and covariances of the latent constructs together with factor loadings were constrained to be equal for the two samples. The resultant goodness-of-fit indices showed an even better fit to the data, providing additional support for the factorial invariance of the 3-factor structure.