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THE CAUSAL RELATIONSHIP BETWEEN MARKET CAPITALISATION AND ECONOMIC GROWTH IN ZIMBABWE

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ABSTRACT

The study seeks to establish the direction of the causality relationship between market capitalization and economic development. The size of the stock market (market capitalization) relative to economic output is explored in an effort to investigate the direction of the relationship. The Gross Domestic Product trend for the period 2000-2012 was relatively compared to capitalization for the same period. The researcher established that the two macro-economic variables (market capitalization and the GDP) caused each other during the period under study. The nature of the relationship is known as the bi directional causality relationship. The author employed the Granger causality test on market capitalization and Gross Domestic Product data. Various policy recommendations were also given in this study.