



**THE EFFECT OF PROFITABILITY RATIO ON MARKET
CAPITALIZATION IN INSURANCE COMPANIES LISTED IN
KUALA LUMPUR STOCK EXCHANGE**

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SEGAMAT, JOHOR.**

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**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

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UNIVERSITI TEKNOLOGI MARA
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DECLARATION OF ORIGINAL WORK

SITI NURLIYANA BINTI BORHANI

2013787047

Hereby, declare that,

- ✓ This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- ✓ This project paper is the result of my independent work and investigation, except where otherwise stated.
- ✓ All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

26 December 2016

Madam Nor Hazila Binti Ismail
Faculty of Business Management
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85009 SEGAMAT
JOHOR DARUL TAKZIM

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**THE EFFECT OF PROFITABILITY RATIO ON MARKET CAPITALIZATION IN INSURANCE COMPANIES LISTED IN KUALA LUMPUR STOCK EXCHANGE**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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Bachelor of Business Administration (Hons) Finance

ABSTRACT

Market capitalization is true measure of a company's value. This study aims to examine the effect of profitability ratio on market capitalization. Thus, the objective of the study is to know one of the profitability ratios, which can influence the market capitalization of Malaysian insurance companies. To study market capitalization is taken as a dependent variable and profitability ratios (Return on Assets, Return on Equity and Return on Investment) are selected as independent variables. Sample of 9 insurance companies have been taken for the study. The period of the study is five years from 2011 to 2015. The finding shows that there is significant relationship between Return on Equity (ROE) and Return on Investment (ROI) toward market capitalization for the companies operating in the insurance sector in Malaysia. It indicates that there is an effect of ROE and ROI on Market Capitalization. In respect of the effect of Return on Assets (ROA) upon Market Capitalization, the result indicated that there is no effect of ROA on market Capitalization for the companies operating in the insurance sector in Malaysia.

Keywords: Profitability Ratios, Market Capitalization, Malaysian Insurance Companies