UNIVERSITI TEKNOLOGI MARA

FACTORS THAT INFLUENCE STOCK PRICE OF THE ENERGY SECTOR IN MALAYSIA

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Final Year Project submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

February 2022

ABSTRACT

The paper discusses the internal and external factors that influence the energy sector stock price in Malaysia. Financial performance (liquidity, solvency, and profitability), dividend policy (dividends paid), foreign ownership ratio, and company size are all internal factors. External factors include the rate of GDP growth, inflation, interest rates, and money supply. This research will examine on six top listed companies of energy sector in Bursa Malaysia stock exchange. The pooled ordinary least squares (OLS) model is used to regress the balanced panel data. Secondary data will be used in the research, which will be acquired from a variety of sources, including company annual reports, DataStream and some relevant information in the internet. Each data set covered a ten-year annual period, from 2011 to 2020. The statistical test used to determine the objectives of this study are descriptive analysis, assumption test, correlation analysis, and regression analysis. This study is expected to show a significant relationship between company size, gross domestic product, return on asset, and return on equity towards the stock price movement. The finding will indicate how internal and external factors influence the stock price movement. Moreover, it is also intended that the results of this study would add to literature review, allowing analysts to better identify the factors that are most likely affecting stock price movement in Malaysia.

Keywords: Stock price, Company size, Return on asset, Return on equity, Gross domestic product

ACKNOWLEDGEMENT

First and foremost, I would like to thank Allah the Almighty for giving me the strength and patience to successfully finish this proposal. The key elements required from the advisor are motivation, encouragement, guidance, corrections, advice, and overall support to write and complete a thesis of a high standard and quality within deadlines. Therefore, it gives me great pleasure to express my gratitude to my advisor, Madam Nor Hadaliza Abd Rahman. With her support, I am able to learn more about how to finish this task wisely. Moreover, thank you also for continually reminding me about the deadlines.

Not to mention, many thanks to my parents and siblings for their unwavering support and prayers for my success in completing this research proposal. My completion of this research proposal could not have been accomplished without the support of my group mate. I would like to thank them for helping me a lot in gathering different information and giving me different ideas for making this research proposal unique. Last but not least, I would also like to thank everyone who was involved and contributed directly or indirectly to my research proposal, as they have shown their effort and initiative until I was able to successfully complete this proposal.

Last but not least, I hope my research proposal will be accepted as I always work hard to produce a good proposal with my full commitment and responsibility. By completing this proposal, I have gained more knowledge and experience in conducting research about stock prices, which I can apply to my future.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

The stock market price movement is one of the most closely watched economic phenomena by policymakers, businesses, investors, and academics (Yan, 2021). According to RTT News (2021), the Kuala Lumpur Composite Index (KLCI) now rests just beneath the 1,530-point plateau although it's expected to bounce higher again. Indeed, Malaysia's stock market has historically been extremely prone to both internal and external factors such as economic and financial crises (Tuyon & Ahmad, 2016). Malaysia may have felt the effects of global financial or economic problems, resulting in a drop in the stock market index. The Iraq War (1981–1982), Black Monday (1987), the Asian Financial Crisis (1997–1998), and the outbreak of Severe Acute Respiratory Syndrome (2002–2003) were among these calamities (Tan, 2017).

Financial information contained in a company's annual report is the primary source of stock market information and has a direct influence on the stock price. The concept of effective capital market operation is based on public and transparent disclosure of information (Ma, 2021). By raising new capital, the stock market creates opportunities for long-term investment (Onyejiaku, 2020). As a result, it provides a varied range of venture options for investors to invest their extra capital. The market is viewed as an enabler of government objectives and encourages saving. According to Laksitaputri (2021), an efficient capital market is one in which stock prices accurately reflect all relevant information and the market reacts when the stock price changes. Fundamental and technical factors both affect stock prices. While profits influence how investors value companies, other factors are used to forecast their prices.

Mubarak (2017) has stated that academics and researchers have a good understanding of the factors that influence the stock price. These factors fall into three categories which are fundamental factors, economic factors and market sentiments. Fundamental analysis (FA) is a technique for determining the intrinsic value of a security by examining related economic and financial factors. The financial performance of a company is a significant factor in determining its stock price. Many investors will be interested in purchasing shares if a company earns a suitable profit that