



DEFINITE CORRESPONDANCE BETWEEN CAPITAL INVESTMENT
AND ABNORMAL RETURN

DATU MOHD HADZIZAN BIN SOLI
2013611658

SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE
BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU, SABAH

DECEMBER 2015

ACKNOWLEDGEMENT

After an intensive period of 4 months, today is the day: writing this note of thanks is the finishing touch on my thesis. It has been a period of intense learning for me, not only in the scientific arena, but also on a personal level. Writing this thesis had a big impact on me. I would like to reflect on the people who have supported and helped me so much throughout this period.

I would first like to thank my colleagues Uitm Sabah faculty of Business Management (hons) Finance. You supported me greatly and were always willing to help me. I would particularly like to single out my advisor at Uitm Sabah En.Shamlie Salisi. Also, I want to thank you for your excellent cooperation and for all of the opportunities I was given to conduct my research and guide me to further my thesis in Uitm Sabah.

In addition, I would like to thank to Mdm Rapheedah and Prof. Dr Imbarine Bujang for their valuable guidance. You definitely provided me with the tools that I needed to choose the right direction and successfully complete my thesis.

I would also like to thank my parents for their wise counsel and sympathetic ear. You are always there for me. Finally, there are my friends. We were not only able to support each other by deliberating over our problems and findings, but also happily by talking about things other than just our papers.

TABLE OF CONTENT

	Page
TITLE PAGE	i
DECLARATION	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v-vii
LIST OF TABLE	viii
LIST OF FIGURE	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xi

	Page
CHAPTER 1 : INTRODUCTION	
1.0 Introduction	1
1.1 Background of Study	2
1.2 Problem Statement	3-4
1.3 Research Objectives	5
1.4 Main Objectives	6
1.5 Significant of Study	6
1.6 Scope and Limitation	7
1.7 Chapter Outline	8
CHAPTER 2 : LITERATURE REVIEW	
2.0 Literature Review on Capital Investment	9-13
2.0.1 Book to Market Equity	13
2.0.2 Market Capitalization (size)	14
2.0.3 Measurement 3 years Asian Financial Crisis	15-16
2.0.4 Measurement 3 years Global Financial Crisis	17

2.1	Theoretical Framework	17
-----	-----------------------	----

CHAPTER 3 : RESEARCH METHODOLOGY

3.0	Introduction	18
3.0.1	Types of Study	18
3.0.2	Type of Investigation	18
3.0.3	Time Horizan	19
3.0.4	Unit of Analysis	19
3.1	Data Collection Method	19
3.1.1	Data Analysis Technique	20
3.2.	Panel Unit Root Test	21
3.2.1	Augemented-Dickey Fuller (ADF) Test	21
3.2.2	Philips Pheron Test.	21
3.2.3	Ordinary Least Square	21
3.2.4.	Empirical Model	22
3.3	Estimation Procedure	22
3.3.1	Variance Inflation Test	22
3.3.2	Breusch and Pagan Lagrangnian Multiplier Model	23
3.4	Hypothesis Formulation	23
3.5	Flow of Methodology	24
	Summary of chapter 3	25

CHAPTER 4 : RESULT

4.0	Result	26
	Result of Augmented Dickey Fuller (ADF test)	27-30

ABSTRACT

Capital investment is one of the relevant information that investor could depends in order to make their investment. All this while, capital investment has a relationship towards stock return. Previous study also provide mix result regarding the capital invested in a company which contribute to a better stock return. In Malaysia, a lot of firm that listed in bursa Malaysia which has a good stock performance, but with this study, it could help the investor to make a better investment decision.

This paper will gives extra information on capital investment which correlated with the return. Investor could rely on any other related information for example market trend, economic trend, and political behaviour but when it comes to capital investment regarding information, it gives a small contribution but not as a benchmark for return. This new evidence achieve a negative significant evidence between capital investment and abnormal return.

Consequently, this study investigates the relationship of capital investment on abnormal return of Malaysia listed firms. The empirical results show that during and post Asian Financial Crisis 1997-2006, and during and post Global Financial crisis 2007-2015 has negative effect when the regression of capital investment which represent by Book-to-market equity and Market capitalization(size of firm) with abnormal return. This result directly support the hypothesis of negative significant relationship between capital investment and stock return. The result obtain also shows the capital investment has no effect on stock and abnormal return.