



UNIVERSITI TEKNOLOGI MARA

**A COMPARATIVE STUDY ON THE
RELATIONSHIP OF FINANCIAL
DETERMINANTS WITH STOCK
MARKET PRICE ON SELECTED
TELECOMMUNICATION
COMPANIES IN MALAYSIA,
SINGAPORE AND INDONESIA**

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ABSTRACT

The Global Financial Crisis that happened in the year 2008 give a big impact to every single country in the world either directly or indirectly especially in the economy growth. All over the world, many types of researches were conducted to investigate the determinants of the stock market price, but this study differs from the prior related studies. There are many research conducted on this issue in Malaysia. However, there is only a few research conducted in the service sector. The objective of this research is to study the relationship of internal and external financial determinants with the stock market price. Annual panel data of the period of the year 2006-2016 had been used to measure the data. A total of 13 telecommunications services companies listed in Bursa Malaysia had been selected to measure the internal financial determinants which are book value per share (BVPS), firm size (SIZE) and price-earnings ratio (PE), while, the external determinants are inflation and gross domestic products (GDP). The empirical findings indicate that the variables that have a significant relationship towards stock market price in Malaysia are firm size and inflation, while in Singapore only the firm size and for Indonesia book value per share (BVPS) only. The researcher suggesting that these are active financial determinants that act in shaping stock market price in the countries respectively.

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TABLE OF CONTENTS

AUTHOR'S DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	
iix	
LIST OF FIGURES	xi
LIST OF ABBREVIATION	xii
CHAPTER 1 INTRODUCTION	1
1.1 An Overview of Financial Determinants with Stock Market Price	1
1.2 Problem Statement	3
1.3 Research Objectives	4
1.4 Significant Of Study	5
1.5 Scope Of Study	6
1.6 Limitation Of Study	7
1.6.1 Data Reliability and Accuracy	7
1.6.2 Variables Constraints	7
1.6.3 Time Frame and Period Constraint	8
1.7 Definition of Terms	9
1.7.1 Stock Market Price	9
1.7.2 Book Value per Share	9

CHAPTER 1

INTRODUCTION

1.1 An Overview of Financial Determinants with Stock Market Price

The Global Financial Crisis that happened in the year 2008 give a big impact to every single country in the world either directly or indirectly especially in the economy growth. Shiller (1980) stated that the stock prices always fluctuate and not stable because of the relation to the dividends primarily due to unreasonable market. Before the unfortunate event of the global financial crisis, the investors was focusing on the rising and falling shares in the stock market as a source of returns to investors.

Stock market prices change is a major concern for investors in order to maximize its profit at some preferable level of risk. According to Obeidat (2009), the daily changes in common stock prices occur from time to time is effected by the demand and supply for stocks. If the supply of the stock increases, the stock price decreases. But, if the demand of that stock increases, its price will increase. The price changes of supply and demand of the common stock may be because of the effect of several determinants or factors. Many corporations prefer to issue common stocks to finance their operations rather than bonds or other debt securities. This is because common stocks do not increase the corporations' risk or new obligations. However, stock prices could fluctuate and possibly cause losses to investors if the prices going down.

According to Obeid Gharabeh (2015), it is important to have a guideline to fairly predict the anticipation of price changes in the future. Thus, investors, managers, academicians and researchers should know the causes or variables that influence the share price movement in the stock market. In the developed