



**UNIVERSITI TEKNOLOGI MARA**

**THE IMPACT OF FINANCIAL INDICATORS  
TOWARDS STOCK RETURNS OF FINANCE  
COMPANIES LISTED UNDER BURSA  
MALAYSIA**

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## **ABSTRACT**

This research was conducted to examine the relationship between financial indicators which are Earning per Share growth (EPS), Return on Equity growth (ROE) and Dividend per Share growth (DPS) against stock returns of finance companies. There are 33 financial companies listed under Bursa Malaysia but only 4 chosen companies have been selected. The chosen financial companies in this research are Maybank, Ambank, Cimb and RHB Bank. The financial indicators and stock returns data are collected with annual data from year 2011 to 2020 consisting of 40 sets of data. The data also has been collected using annual reports, secondary data, Thomson Reuters Data Stream and Bursa Malaysia. This study seeks to examine whether earnings per share, return of equity and dividend per share are giving impact to the stock returns to financial companies listed on Bursa Malaysia.

**Keywords:** Stock Returns, Earnings per Share, Return of Equity and Dividend per Share

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## TABLE OF CONTENT

	<b>Page</b>
<b>AUTHOR'S DECLARATION</b>	<b>ii</b>
<b>ABSTRACT</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT</b>	<b>iv</b>
<b>TABLE OF CONTENT</b>	<b>v</b>
<b>LIST OF TABLES</b>	<b>viii</b>
<b>LIST OF FIGURES</b>	<b>ix</b>
<b>LIST OF SYMBOLS</b>	<b>x</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xi</b>
<b>CHAPTER ONE: INTRODUCTION</b>	
1.1 Introduction	1
1.2 Background of the study	1
1.3 Problem statement	3
1.4 Research questions	4
1.5 Research objectives	4
1.6 Significance of the study	7
1.7 Scope of the study	7
1.8 Limitations of the study	8
1.9 Definition of key terms	9
1.10 Summary	9
<b>CHAPTER TWO: LITERATURE REVIEW</b>	
2.1 Introduction	10
2.2 Literature Review	10
2.2.1 Literature Review on Stock Returns	11
2.2.2 Literature Review on Earning Per Share	12
2.2.3 Literature Review on Return on Equity	14
2.2.2 Literature Review on Dividend per Share	15

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

This chapter will discuss the background of study, problem statement, research question, research objective, significance of study, scope of study, limitation of study and definition of key terms for the impact of financial indicators towards stock returns of finance companies listed on Bursa Malaysia.

### 1.2 Background of Study

Stock market can be determined as a public market involved in buying, selling and issuing the stocks by trade on a stock exchange over the counter (James Chen, 2021). In addition, according to the corporate finance institute (2021), the efficiency of the stock market can be considered as critical to the development of the economy since the stock market gives the ability to the companies to quickly access the capital from the public. The stock market has been led by Bursa Malaysia KLCI and it is a benchmark for the stock market in Malaysia.

Financial institution is a company that is engaged in a business dealing with financial transactions and money such as loans, investments, deposits and insurance. The business operates under financial institutions consisting of banking, insurance companies and other financials (Adam Hayes, 2021). A financial institution is very important since this institution provides the free flow of capital and liquidity to the economy. In Malaysia, there are 33 listed financial companies in Bursa Malaysia such as Malayan Banking (Maybank), RHB Bank, AMMB Holdings and CIMB Group Holdings.

Using financial indicators is to measure the performance of financial health over time. Financial performance is a subjective evaluation of an institution's liability for the outcomes of its policies, operations, and activities expressed in financial terms over a certain time period. Financial performance indicates the company's potential to generate profit above and beyond the value of its assets. Financial performance is a metric used to assess the success of the company based on its capital structure