



UNIVERSITI TEKNOLOGI MARA

**IMPACT OF MACROECONOMICS VARIABLE
ON PERFORMANCE OF FOOD AND
BEVERAGES COMPANIES IN MALAYSIA**

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ABSTRACT

This research aims to investigate the relationship between macroeconomics variables towards the firm's performance and to study the impact of independent variables on the firm's performance. This research focuses on the food and beverages industry, and sixteen (16) Food and Beverages Company listed in Bursa Malaysia were chosen as sample data. The sample data for this research was gathered for 20 years, from 2001 to 2020. In this study, the firm's performance was measured by utilizing return on assets as the dependent variable, supported and implemented by previous researchers in most cases. The macroeconomics factors used to examine the firm's performance are inflation rate (INF), gross domestic product (GDP), and exchange rate (ER), which act as independent variables. The data for this study was acquired from the annual report of the Bursa Malaysia, World Bank Data website, and Eikon Refinitiv data stream and then analyzed using multiple linear regression. In addition, econometric tests are performed to investigate the relation between the macroeconomics variables the company's performance in the real world. The data were tested and analyzed using the interactive software application Eviews 12 student edition. The expected result of this research is that the inflation rate to return on asset, gross domestic product to return on asset, and exchange rate to return on asset link with the firm's performance using the pooled panel data regression approach. The findings of this study shows that return on asset (ROA) of a firms cannot be measured by inflation rate and exchange rate. It shows that inflation rate, and exchange rate has an insignificant impact towards the firms' performance, while gross domestic product (GDP) has a significant relationship with return on asset. As a result of this research, potential investor will better understand how macroeconomic variables will affect the business performance of Malaysia's food and beverages industry in the future. It is beneficial that the findings would assist economists in their decision-making by providing them with information on the influence of macroeconomic variables on company performance in Malaysia. Future study recommendations include expanding knowledge and providing more accurate results, such as using a new data format, researching other nations, and including more macroeconomic factors.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Firstly, as suggested by the title, this chapter will be started by outlining the background of the study, which will lead to a quality and better understanding of the reader. The following sections will explain the problem statement, research objectives, and research questions. This chapter discusses the importance of the study in detail to give readers a broad overview of the purpose. It also briefly covers the scope and limitations of the study in this chapter. Lastly, this chapter will define critical terms for specific variables utilized in the research.

1.2 BACKGROUND OF THE STUDY

Malaysia's Food and Beverage Industry (F&B) has been designated as a fast-growing market and one of the country's most significant contributors to the national account balance. The Malaysian Food and Beverage Industry were valued at around €22.12 billion in 2018, and it was increasing at a pace of 7.6 percent per year. The Fast-Moving Consumer Goods (FMCG) segment accounts for approximately one fifth of total household consumption spending in Malaysia, making it one of the country's most important consumer goods sectors. Malaysia's FMCG market is expected to rise year on year due to rising buying power and growing population size (Hirschman, 2021). Among Malaysia's most important industries, the fast-moving consumer goods (FMCG) business ranks first, adding significantly to the country's gross domestic product (GDP) (Barua,2020). According to KPMG (2020), in Malaysia, the food, beverage, and tobacco subsector of the fast-moving consumer goods (FMCG) industry is expected to contribute up to 5% of the country's total GDP by 2019. Malaysia's stock exchange reports that the fast-moving consumer goods (FMCG) industry accounts for 17% of the country's total market value.

When it comes to economic growth, the performance of the business is regarded to be a key contributor to long-term prosperity, and it is one of the most important variables examined by investors throughout the decision-making process