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THE EFFECT OF RETURN ON ASSET, EARNING PER SHARE AND DEBT TO EQUITY RATIO ON STOCK MARKET EFFICIENCY

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ABSTRACT

This study means to examine the impact of Fundamental Analysis which is Equity Per Share (EPS), Debt on Equity Ratio (DER) and Return On Asset (ROA) on stock prices from 2012 to 2020. This kind of exploration is utilized in a quantitative examination with an expressive methodology. The method of analysis in this study uses multiple linear regression analysis to define the partial or simultaneous influence between two or more independent variables on one dependent variable. The findings of this study explain that earnings per share has a positive impact on stock prices. Though Debt to Equity ratio and Return on Assets do not affect the stock price. Based on the results of this study concluded that Earning Per Share, Debt to equity ratio and Return on Assets affect the stock market efficiency.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION... 5-6

1.2 BACKGROUND OF STUDY.. 6-7

1.3 PROBLEM STATEMENT... 7-9

1.4 RESEARCH QUESTIONS.. 9

1.5 RESEARCH OBJECTIVES... 9

1.6 SIGNIFICANCE OF STUDY.. 9-10

1.7 SCOPE OF STUDY... 11

1.8 LIMITATION OF STUDY.. 11

1.9 DEFINITION OF KEY TERMS.. 11-12

1.10 SUMMARY.. 12

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION... 13

2.2 LITERATURE REVIEW ON TOPIC.. 13

2.3 LITERATURE REVIEW ON EARNINGS PER SHARE 13-14

2.4 LITERATURE REVIEW ON DEBT TO EQUITY................................ 14

2.5 LITERATURE REVIEW ON RETURN ON ASSETS......................... 14-15

2.6 THEORETICAL FRAMEWORK... 15

2.7 SUMMARY.. 16

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION... 17

3.2 SAMPLING... 17

3.3 DATA COLLECTION... 17

3.4 VARIABLES... 17

3.5 RESEARCH DESIGN... 17

3.5.1 PURPOSE OF THE STUDY.. 18

3.5.2 TYPES OF INVESTIGATION.. 18

3.5.3 RESEARCHER INTERFERENCE.. 18

3.5.4 STUDY SETTING.. 18

3.5.5 UNIT OF ANALYSIS.. 18-19

3.5.6 TIME HORIZON.. 19

3.6 HYPOTHESIS STATEMENT.. 19-20

3.7 RESEARCH METHODOLOGY.. 20

3.7.1 DESCRIPTIVE STATISTIC ANALYSIS.................................. 20

3.7.2 CORRELATION ANALYSIS.. 20-21

3.7.3 MULTICOLLINEARITY TEST.. 21

3.7.4 NORMALITY TEST.. 21-22

3.7.5 REGRESSION ANALYSIS.. 22-23

3.8 SUMMARY.. 24

CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

The degree to which market prices reflect all available, relevant information is referred to as stock efficiency. If the stock market were efficient, all information would have been integrated into pricing, and there would be no way to "beat" the market since no cheap or overpriced assets would be accessible. The main implication of an efficient market is that investors will not be able to consistently produce remarkable returns based on the information they use to make investment decisions. To put it another way, if the stock market is efficient, prices will vary at random. If the stock market is inefficient, stock pickers will be able to spot trends and predict how stock prices will move in the future

Fundamental data is a method of measuring a security's intrinsic value by examining related economic and financial factors. Fundamental analysts study anything that can affect the security's value, from macroeconomic factors such as the state of the economy and industry conditions to microeconomic factors like the effectiveness of the company's management.

Due to various aspects such as Earnings Per Share, Debt to Equity Ratio, and Return on Assets, the company's share price when it goes public is a problem that must be solved through research. A company's primary goal is to improve the owner's or shareholder's well- being.

The company's stock price, particularly market value, can change occasionally. A few factors that decide the good and bad times of stocks are, for example, Earnings Per Share, Debt to Equity, Return on Assets, and company performance remains to decline at any time, systematic risk in the form of overall risk contributes to the company to pressing the technical conditions of purchasing shares. Investors who believe capital gains will take action to buy shares at low prices and sell them at high prices.

In view of the issues that have been depicted exhaustively, the reason for this study is to look at the impact of the pressure of Earning per Share (EPS), Debt to Equity Ratio (DER) and Return on Assets (ROA) on stock prices of companies that go public.

Earning Per Share Ratio, also known as the Book Value Ratio, is a metric used to assess management's effectiveness in generating profits for shareholders. A low ratio indicates that management failed to satisfy shareholders. On the other hand, a high ratio has improved shareholder welfare. The amount of earning after tax deduction is what shareholders get as a